



Legislative Budget and Finance Committee

A JOINT COMMITTEE OF THE PENNSYLVANIA GENERAL ASSEMBLY

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EXECUTIVE DIRECTOR

PHILIP R. DURGIN

CHIEF ANALYST

JOHN H. ROWE, JR.

A Comprehensive Study and Review of Veteran Services in Pennsylvania

Conducted Pursuant to SR 124 and SR 131 of 2005

October 2007



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To Whom It May Concern:

The Legislative Budget and Finance Committee has authorized the release of the report entitled *A Comprehensive Study and Review of Veteran Services in Pennsylvania*, but notes disagreement between the Committee's contractor and the Department of Military and Veterans Affairs over the methodologies and overall approach used in the report.

Nevertheless, the Committee has decided to release the report to the General Assembly and the public with the hope that it will stimulate a fuller discussion of this important matter. We also note that the report includes a response by the Adjutant General that directly addresses the Department's concerns.

Sincerely,

John Pippy
Chairman

JP:tlb

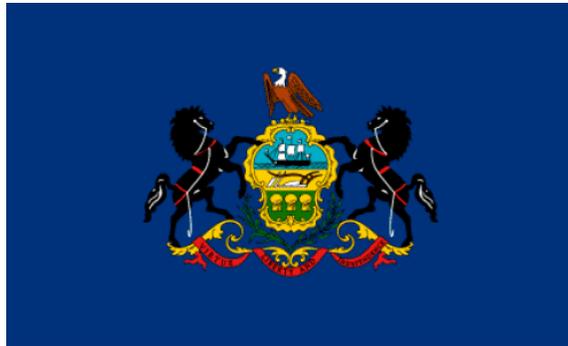


DEFENSE SOLUTIONS



LLC

***A Comprehensive Study and Review
of Veteran Services in Pennsylvania***



Submitted by:

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November 14, 2006**

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EXECUTIVE SUMMARY

A. Purpose

The Legislative Budget and Finance Committee tasked Defense Solutions, LLC, a Pennsylvania limited liability corporation, to conduct a study to meet the requirements contained in Senate Resolutions 124 and 131, both of which passed the General Assembly unopposed in the Summer of 2005.

SR 124 calls for a study to identify the advantages and disadvantages of creating a separate cabinet-level Department for Veterans Affairs. The more expansive SR 131 requires a comprehensive study and review of veterans' services in Pennsylvania, exploring a broad range of options on how best to organize, fund, staff and operate veterans' programs to provide the best possible services to Pennsylvania's veterans and their families in the most cost-effective and efficient manner. While SR 124 focuses on the specific proposal to separate the Bureau of Veterans Affairs from the Department of Military and Veterans Affairs, SR 131 concerns the broader issue of how the Commonwealth could improve the delivery of veterans' benefits – with or without reorganizing State Government.

B. Research

Research for this report consisted of reviewing previous studies and websites of veterans' organizations from Pennsylvania and other states; conducting scores of interviews with current and former officials of the Department of Military and Veterans Affairs; distribution of questionnaires to various stakeholder organizations to include Veteran Service Organizations, County Directors of Veterans' Affairs, the State Veterans' Commission, the War Veteran's Council and the Advisory Boards at the Veterans' Centers; review of a substantial amount of information provided by the Bureau for Veterans Affairs; and telephonic interviews.

The Legislative Budget and Finance Committee previously studied this issue in 1991. Its report, "Study of the Administration of Commonwealth Veterans' Programs," is remarkable, both because it was well written and documented, and because of how relevant it remains even after fifteen years. Many of the problems the 1991 study identified are still with us in 2006. And, without a change in the approach to the delivery of veterans' benefits in the Commonwealth, it is likely that these same problems will still challenge the General Assembly, the Executive Branch of State Government, and Pennsylvania's veteran population fifteen or more years from now.

Two years ago, the Lehigh Valley Military Affairs Council (LVMAC) completed its June 2004 "Veterans' Benefits Services Report: A Study on Compensation and Pension Claims Services in the Lehigh Valley and Commonwealth of Pennsylvania" a self-initiated and independent analysis that was not underwritten, sponsored or funded by any other agency, organization, or individual. Through this study the LVMAC performed a significant service for the Commonwealth's veterans, and it should be commended.

The leadership of the Department of Military and Veterans Affairs (DMVA) – both the Adjutant General and the Deputy Adjutant General for Veterans Affairs – could not have been more helpful in the preparation of this report. Every request for information was responded to in a timely and thoroughly professional manner. Both officials expressed the belief that the findings of this report should focus on what is best for the Commonwealth’s veterans and “not on whose ox may be gored in the process.” I hope we have lived up to this high standard.

C. Findings

The provisioning of veterans’ benefits in the Commonwealth of Pennsylvania has been a problem for several decades. Even the most cursory examination reveals inconsistent provisioning of services and benefits, and an arcane and ineffective bureaucracy. During our research, we encountered many well meaning, but largely untrained administrators who guide veterans through the bureaucratic maze to obtain services under Federal or Commonwealth entitlement programs. The healthy and intelligent veterans often find the system agonizingly painful, bureaucratic, inconsistent, and demeaning. Those in ill health or infirm don’t find it that pleasant.

The Department of Military and Veterans Affairs and its subordinate Bureau for Veterans Affairs are well-run, well-managed organizations that do a credible job serving Pennsylvania’s veterans with the limited resources provided. However, the resource constraint is significant – particularly the constraint on qualified staff to assist veterans with their claims. As a result, Pennsylvania ranks in the bottom one-quarter of all states in the receipt of federal funding for veterans’ programs. The fact that Pennsylvania is consistently near the bottom in the receipt of federal funds overwhelms all other problems that the Bureau and Department face in regard to support for veterans.

In FY 2005, total US Department of Veterans’ Affairs expenditures averaged \$2,896 per veteran nationwide. Pennsylvania’s 1.12 million veterans averaged only \$2,364 per veteran, meaning that \$532 less was spent on federal veterans’ programs in the Commonwealth than was spent on average nationally. Only eight states received a lower per veteran expenditure. If Pennsylvania were to raise its receipt of federal funding up to the national average, it would receive an additional \$594.3 million dollars worth of federal funds, and Pennsylvania would experience an additional \$1.367 billion dollars in economic activity a year.¹

This point is worth repeating. If Pennsylvania were to invest sufficient resources to bring federal spending for veterans’ programs up to the national average, it could produce nearly \$1.4 billion in economic activity in the Commonwealth every year. With 1.67 million veterans – and significantly more claims officers than Pennsylvania – Texas averaged \$3,227 per veteran in federal funding in 2005, an average of \$863 more per veteran than Pennsylvania received. If Pennsylvania were to receive what veterans and veterans’ programs in Texas receive, it would total more than \$964 million in direct federal funds and \$2.22 billion in economic activity.

1. Based on an estimated statewide economic multiplier effect of 2.38. Source Econsult Corporations (2006).

The discrepancy in veterans’ funding is real and cannot be attributed to geographical or other environmental discrepancies. For example, New York has virtually the same number of veterans as Pennsylvania – 1.13 million compared to 1.12 million. Yet last year, according to the US Department of Veterans’ Affairs, New York received \$725.6 million dollars more from the USDVA than did Pennsylvania. In fact, New York received more federal dollars in every category as shown below.

GEOGRAPHIC DISTRIBUTION OF VA EXPENDITURES FOR FY 2005
Expenditures in \$000

STATE	Veteran Population*	Total Expenditures	Compensation & Pension	Education & Voc Rehab	Insurance & Indemnities	Construction	Medical & GOE
New York	1,132,703	3,365,992	1,211,440	151,405	117,364	15,456	1,870,328
Pennsylvania	1,117,004	2,640,348	1,099,113	73,050	93,452	9,491	1,365,242

The study team review of veterans’ programs in Pennsylvania and elsewhere found:

- The Department of Military and Veterans Affairs and its subordinate Bureau for Veterans Affairs are well-run, well- managed organizations that do a credible job serving Pennsylvania’s veterans with the limited resources provided.
- Pennsylvania does not provide adequate resources to the Bureau for Veterans Affairs so that it can adequately assist veterans.
- Most other states resource their State Veterans’ Affairs organization to garner a higher degree of federal funding than does Pennsylvania. The competition for federal resources is intense. And for all practical purposes, Pennsylvania steps aside and lets other states garner the resources.
- That reorganizing State Government without providing resources commensurate with the mission and responsibility will not solve the problems and could make matters worse.

D. Major Recommendations

This study, as does its immediate predecessor, makes the following major recommendations that:

- Adequate resources be provided to administer veterans’ programs within the Commonwealth.
- Oversight of all veterans’ programs within the Commonwealth be administered by a single organization.
- The Bureau for Veterans Affairs be separated from the Department of Military and Veterans Affairs and established as a separate, cabinet-level Department and headquartered at a location other than Fort Indiantown Gap.

-- That the head of the new department be empowered to advocate on behalf of the Commonwealth's 1.2 million veterans.

Pennsylvania's ranking in the bottom one-fifth in terms of receipt of federal funding per veteran is not new, nor is it a problem created by the current Administration. It is clear these problems have been with us through Republican and Democratic Administrations and have not appreciably changed under one party or the other. However, it does appear to be a problem of organization, leadership, and priorities – not just one of funding. It is the study team's belief that an empowered Secretary for Veterans' Affairs in charge of an adequately resourced Department can more effectively interact at the federal level and garner substantially more federal funding. Other states are doing it. Pennsylvania can do it too.

The purpose of this report is to propose a way ahead, not to assign blame. However, it would be irresponsible of the study team not to point out what it believes to be a conscious, institutional policy of benign neglect, a policy of ignoring the situation instead of assuming responsibility for managing or improving it. At all government levels (Federal, State, and local) and throughout the Veterans' Service Organizations, we found conscientious workers who are working hard on behalf of our veteran population. But the fact remains that no matter how hard these dedicated public servants and private citizens work, their small numbers are not adequate to address the needs of an aging population of 1.12 million veterans. In this case, the benign neglect specifically means that both the Federal Government and the Commonwealth -- those responsible for funding, staffing and supporting veterans' programs -- have not provided the resources necessary to adequately address the needs of our veterans.

The cabinet official currently responsible for veterans' programs is the Adjutant General. The current Adjutant General is arguably the best friend that veterans have had in the past in decades, but there is a difference between being a friend and being an advocate. With thousands of Pennsylvania soldiers and airmen deployed in a combat zone and more likely to deploy, it is understandable, even commendable, that the Adjutant General would prioritize the military side of her responsibilities. But, in the opinion of this study team, it also means that the veterans of earlier wars, and even the veterans of the current conflict, are not the top priority; and as a result, are deprived of a voice in state government dedicated solely to veterans' issues.

Veterans' organizations, the State Veterans' Commission, the War Veterans' Council, the County Directors of Veterans' Affairs, and the Advisory Boards at the six Commonwealth operated veterans' homes all share the responsibility and blame for the inadequate state of veterans' affairs in the Commonwealth. Rather than being aggressive "advisory" bodies to government leadership on veterans' issues, these bodies tend to be passive and deferential. There appears to be an acceptance among veterans' organizations that the situation cannot or will not change for the better. As important, there is little or no vision or consensus among veterans' organizations across the Commonwealth as to the way ahead. Worse, there is virtually no outrage at the current state of affairs. The unmistakable conclusion is that while many opportunities exist to improve the provision of services to Pennsylvania's veterans, there is little

organized support or opposition to any steps the General Assembly may take, or chose not to take, regarding the reorganization of the Department of Military and Veterans Affairs.

All arguments for or against creation of a separate cabinet-level Department for Veterans Affairs are moot in the absence of additional State funding. While a clear economic argument can be made substantiating a strong return on investment from these additional funds, the first assumption that must be made is that additional resources will be made available to create and staff a new department. In the absence of additional State funding, creating a new department will drain resources away from veterans' programs and could do more harm than good.

A summary of recommendations made throughout the report is found in Section VII. Paragraph C.

I. PURPOSE

The Legislative Budget and Finance Committee (LB&FC), a Joint Committee of the Pennsylvania General Assembly, contracted with Defense Solutions, LLC in January of 2006 for the purpose of conducting a “Comprehensive Study and Review of Veterans’ Services in Pennsylvania” to meet the requirements contained in Senate Resolutions 124 and 131, both of which passed the General Assembly unopposed in the Summer of 2005.

SR 124 calls for a study to identify the advantages and disadvantages of creating a separate cabinet-level Department for Veterans Affairs. The more expansive SR 131 requires a comprehensive study and review of veterans’ services in Pennsylvania, exploring a broad range of options on how best to organize, fund, staff and operate veterans’ programs to provide the best possible services to Pennsylvania veterans and their families in the most cost-effective and efficient manner. While SR 124 focuses on the specific proposal to separate the Bureau of Veterans Affairs from the Department of Military and Veterans Affairs, SR 131 concerns the broader issue of how the Commonwealth could improve the delivery of veterans’ benefits – with or without reorganizing State Government.

The impetus for this engagement stems from the well-known fact that the veterans served by Pennsylvania – namely, the aged, veterans with dementia, veterans with physical disabilities, and veterans with a right to Federal, State, and local benefits and pensions – face a system that is challenged by the Commonwealth’s geographic size, changing demographics, stagnant funding and dispersed support systems that remain fragmented and without an overarching infrastructure or management. In addition, the Department of Military and Veterans Affairs, specifically the Bureau for Veterans Affairs, struggles with streamlining veterans’ services in a cost-effective and efficient manner. As a result of these challenging factors, Pennsylvania’s current system of veterans’ services suffers from lack of justification for additional resources, inert staffing, and inconsistent implementation of services, that has resulted in a continuum of care for our veterans that is not complete and consistent. Moreover, the unique evolutionary nature of Pennsylvania’s veterans’ system has made it increasingly difficult to accurately measure performance and outcome across a wide range of service providers, organizations, and stakeholders. The combination of these factors provided the catalyst for the LB&FC’s request of Defense Solutions to generate a comprehensive system analysis and recommend possible solutions for change and improvement.

The timeliness of the LB&FC’s Request for Proposal (RFP) release for this engagement is also important to note. SR 124, referred to State Government May 26, 2005, requires that “the study to determine the advantages and disadvantages of creating a separate cabinet-level Department for Veterans Affairs” be completed twelve months after the ratification of the resolution. Additionally, SR 131, referred to State Government June 17, 2005, requires the LB&FC to file a report containing its findings and recommendations no later than November 30, 2006. The final results of this project will help the LB&FC prepare for the upcoming legislative session that will address critical veterans’ system of care, programmatic and financial concerns within the state.

As specifically highlighted by SR 131, the Department of Military and Veterans Affairs has done an outstanding job in managing and overseeing the growth of Pennsylvania's veterans' programs, including doubling the number of veterans' homes over the last ten years. They have been faithful stewards of the limited resources provided.

As noted in SR 124 and 131, the expected outcomes of the project were delineated as follows:

A comprehensive study and review of veterans' services in Pennsylvania

This Study includes an examination of how veterans' services are organized, managed, funded, and staffed at the state and local levels as well as a review of the composition, functions, and duties of the State Veterans' Commission and the advisory councils for veterans' homes. A comprehensive, professional evaluation of veterans' issues and management of these issues is both timely and necessary in light of the increasing number of veterans returning to Pennsylvania from active duty in Iraq, Afghanistan, Kuwait, Kosovo, and elsewhere.

Compare how veterans' services are provided in Pennsylvania to the provision of services in other states.

As part of this project, the LB&FC is seeking information from other states as to how they provide similar services to their veterans, the cost of those services, and the organizational structures selected to deliver the services. The data obtained from this research will enhance the outcomes of this engagement by providing necessary input to guide the General Assembly's decisions regarding recommended changes to the current systems.

Provide recommendations on how Pennsylvania should best organize, manage, fund, and staff veterans' programs at the state and local levels.

The recommendations proposed should suggest: modifications to the mix of veterans' services currently offered at the state and local levels; an appropriate structure for maximized delivery of veterans' services to Pennsylvania veterans and their families in a cost-effective manner; available strategies for veterans' providers to increase efficiency; and a cost comparison between Pennsylvania's veterans' system at present and that of a system that has implemented the recommendations proposed.

The Study's recommendations should offer advice on how they are to be seamlessly integrated into the current organizational and programmatic systems.

Review and consider the costs and benefits of a broad range of options for best providing veterans' services, including, but not limited to, reorganizing the executive branch of state government to establish a separate Department for Veterans Affairs.

With a greater need for the National Guard and Reserve units to respond to local, national, and international military situations increasing the demands and responsibilities of the Department of Military and Veterans Affairs; as well as, veterans' issues continuing to grow in number and

complexity and the management of these issues becoming more challenging than ever, the final outcome of this project is a differentiation between the advantages and disadvantages of creating a separate cabinet-level Department for Veterans Affairs, including the fiscal impact of separating the Bureau of Veterans Affairs from the Department of Military and Veterans Affairs.

The study team sincerely hopes that this report meets the requirements of the Pennsylvania General Assembly and contributes positively to the discussion about how to best administer veterans' programs in the Commonwealth.

II. Methodology

A. Project Kick-Off Meeting

Defense Solutions began this engagement with the facilitation of a project kick-off meeting with the Legislative Budget and Finance Committee (LB&FC) on January 9, 2006. The Defense Solutions project team met with Executive Director, Mr. Phil Durgin, to provide team member introductions, ensure that all project goals and objectives were understood, and that the scope of work described in the project work plan included all of the necessary steps to achieve the desired outcomes. During this meeting, Defense Solutions had the opportunity to discuss and determine which data elements were needed from the Department of Military and Veterans Affairs (DMVA) staff by completing a walk-through of an initial data request. Further, our discussion provided the Executive Director with the opportunity to relay thoughts, suggestions, and concerns with regard to the project. These were noted by the Defense Solutions team.

B. Data Collection Process

After the initial data request document was revised with input from the Project Kick-Off Meeting, including the delineation of a responsible party for each data item, it was submitted to the Adjutant General and Deputy Adjutant General-Veterans Affairs. Data was forward to Defense Solutions in full as it was prepared by DMVA staff. Upon receipt of data items, the data request document was updated by Defense Solutions and shared with the LB&FC. The completed data request document has been included in the Appendix to this Study. Smaller follow-up data requests were sent to individuals within other Pennsylvania Departments and Agencies when there was a need for further information. The members of the DMVA team provided extensive, valuable data request information in a timely fashion, in a true spirit of effective cooperation.

C. On-Site Visits

Throughout the engagement, Defense Solutions Project Manager, COL (Ret) Timothy Ringgold, traveled throughout the Commonwealth to collect further data by conducting interviews with a representative variety of state staff and relevant stakeholders. Additionally, the Defense Solutions team attended several State Veterans' Commission meetings in order to gain stakeholder feedback: team members attended sessions of the Pennsylvania War Veteran's Council and attended the advisory board meetings at the State operated veterans' homes. Several team members also participated in tours of the DMVA headquarters at Fort Indiantown Gap and at the Scotland School for Veterans' Children to obtain a first-hand account of the current make-up of veterans' programs and benefits.

D. Drafting the Interim Study

After completion of extensive interviews and on-site visits, the Defense Solutions project team gathered, sorted, and analyzed all of the data and information received and collected. A number

of follow-up interviews were conducted with Pennsylvania stakeholders to ensure that all perspectives were understood and incorporated into the Study. Defense Solutions developed a final version of the Interim Study once all of these steps were complete. The Interim Study was submitted to the LB&FC for review on May 12, 2006 along with the intent to distribute it to stakeholders, as well. Feedback from the LB&FC and other stakeholders was encouraged.

E. Acquisition of Stakeholder Feedback

Both the LB&FC and the study team throughout the project considered stakeholder input a high priority. Substantial steps were taken during the data collection and discovery phases to interview stakeholders with a variety of perspectives and involvement in the veteran delivery system across the Commonwealth, from the US Department of Veterans' Affairs, the US Department of Labor, and State Veterans' organizations from other states. Stakeholder input was a focal point throughout the development of this Study and was an essential element in the decision process.

F. Revision of the Interim Study / Drafting of the Final Study

The stakeholder feedback obtained through the distribution and presentation of the Interim Study was analyzed by the project study team and incorporated to produce a revised version of the report. As necessary, the recommendations were restructured to better align with the long-term and short-term goals of the LB&FC. Once Defense Solutions' recommendations for the enhancement and betterment of veterans' programs and benefits in Pennsylvania were finalized, the project team incorporated them into the Final Study. It was the goal of the project study team that the Final Study be written as specifically as possible to ensure a smooth transition toward a revised veterans' service delivery system and to provide a suitable framework for the legislative decision process.

The incorporation of stakeholder feedback into the Interim Study resulted in minor changes in the findings and recommendations and substantially increased the focus of the Final Report on the structure and support needed to organize the proposed Department to garner a larger portion of federal funding. Following the submission of the Final Report, the study team leader and as required, other members of the study team were available for travel throughout the Commonwealth to participate in public hearings to discuss and explain the study's major findings and proposed recommendations.

III. How Veterans' Benefits are Administered

It is important to the Pennsylvania General Assembly, as well as Pennsylvania's veterans, that the study team fully document the programs and services available to veterans in Pennsylvania. The following Section will discuss in depth the involved agencies and organizations, available benefits, eligibility criteria, and a brief analysis of each program. A more in depth analysis will follow in Section IV of the primary issues.

A. Organization of DMVA / BVA

Current Situation

The Pennsylvania Department of Military and Veterans Affairs (DMVA), through its Bureau for Veterans Affairs (BVA), administrates the state Veterans' Homes, the Scotland School for Veterans' Children (SSVC), and five smaller veterans' benefit programs. The Department is also the designated agency in charge of coordinating state veterans' programs offered by other Commonwealth agencies. The total cost of Commonwealth veterans' programs during FY 2005 – 2006 exceeds \$145 million including federal and other augmenting funds. \$93 million of that total is state funds, with the largest single program being the state veterans' homes costing \$83 million, a 4% increase from FY 2005. The Governor's proposed FY 2006 – 2007 budget for Commonwealth veterans' programs is approximately \$98 million.

Present Infrastructure

The Adjutant General's Office, established by the Act of April 11, 1793, is the headquarters of DMVA, an administrative agency under the Governor's jurisdiction. The primary duties of the Adjutant General are the administration of the Pennsylvania National Guard, the state veterans' homes, the state's veterans' benefits program, and the Scotland School for Veterans' Children. BVA, by legislative mandate, is the official liaison between federal, state, and local government agencies on all matters concerning veterans' benefits. The Adjutant General administers the BVA through the Deputy Adjutant General-Veterans Affairs.

DMVA's stated mission is two-fold:

The National Guard Mission is to prepare for combat, to perform worldwide operations, providing global reach and global power projection in support of National objectives and to provide trained personnel to support state and local authorities in time of natural disaster or civil strife at the command of the Governor.

The Bureau of Veterans Affairs' mission is to provide advice and assistance to Pennsylvania's 1.12 million veterans, to provide quality care to aging veterans, to create responsible citizens and develop life long learning in the veterans' children who reside at Scotland School for Veterans' Children.

There are currently six state veterans' homes, including Hollidaysburg Veterans' Home (Hollidaysburg); Pennsylvania Soldiers' and Sailors Home (Erie); Southeastern Veterans' Center (Spring City); Gino J. Merli Veterans' Center (Scranton); Southwestern Veterans' Center (Pittsburgh); and Delaware Valley Veterans' Home (Philadelphia). The Scotland School for Veterans' Children is located in southern Franklin County, near Chambersburg.

Other veteran service related facilities include: sixty-seven County Directors of Veterans' Affairs' offices; seven Governor's Veterans Outreach and Assistance Centers (GVOAC); the Pennsylvania Veterans' Memorial located at Fort Indiantown Gap; and seventy-seven Pennsylvania Department of Labor and Industry Job Center Offices.

The Pennsylvania General Assembly mandates, with certain duties and responsibilities, the State Veterans' Commission, the Pennsylvania Memorial Commission, and the Veterans' Homes Advisory Councils. There are a number of other stakeholders in Pennsylvania, like the Pennsylvania War Veterans' Council, The American Legion, Veterans of Foreign Wars of the United States, Disabled American Veterans, and other Councils and Commissions, who all seek to assist Pennsylvania's veterans.

United States Department of Veterans' Affairs

The United States Department of Veterans' Affairs (USDVA) spent more than \$2.66 billion in Pennsylvania in 2005 to care for nearly 1.12 million veterans who live in the state. In 2004, 256,485 veterans (22.4%) received health care and 126,360 veterans and survivors (11%) received disability compensation or pension payments from USDVA in Pennsylvania. More than 13,944 veterans, reservists or survivors used GI Bill payments for their education, 58,044 owned homes with active USDVA home loan guaranties and 1,879 were interred at Indiantown Gap and Philadelphia national cemeteries.

USDVA operates eight medical centers in Altoona, Butler, Coatesville, Erie, Lebanon, Philadelphia, Pittsburgh and Wilkes-Barre. There are eight USDVA Readjustment Counseling Service (RCS) Centers located in Erie, Harrisburg, McKeesport, Philadelphia (two centers), Pittsburgh, Scranton and Williamsport, thirty-three VA outpatient clients located across the Commonwealth and one mobile clinic based in Wilkes-Barre. A Geriatric Research, Education, and Clinical Center (GRECC) in Pittsburgh provides support to VA medical centers within Pennsylvania and to other VA facilities in nearby states. One of the USDVA's nineteen employee education centers is located in Erie, and one of three Pension Maintenance Centers nationally is located in Philadelphia.

USDVA regional offices in Philadelphia and Pittsburgh serve veterans and their survivors in Pennsylvania who are seeking USDVA financial benefits. USDVA has three national cemeteries in Pennsylvania with one more planned.

Organizational Make-up

Veterans' issues are the responsibility of DMVA, with a Deputy Adjutant General-Veterans Affairs (DAG-VA) assigned to handle veterans' programs through the BVA. A Deputy Director supports the DAG-VA for Veterans' Assistance and there is a Director of Veterans' Homes.

The vast majority of manpower of the Bureau, 1,971 of 2,192 personnel, is directly assigned to the six veterans' homes and Scotland School for Veterans' Children.

About 11 personnel are authorized for veterans' benefits services, including clerks (Programs and Benefits divisions). Of these, the Commonwealth fields up to four accredited, state-employed Veterans Service Officers (VSO), one is assigned to Wilkes-Barre and one to Fort Indiantown Gap, and one each at the Philadelphia and Pittsburgh USDVA Regional Offices.

The state county code requires Directors of Veterans' Affairs in every county and assigns to them the responsibility for veterans' benefits services/counseling, among other duties. The DMVA is not in administrative or supervisory control of these county service officers.

Pennsylvania's Veteran Population

US Code Title 38 established federal benefits for veterans and their family members. Section 101 of this title defines a veteran as someone "who served in the active military, naval, or air service, and who was discharged or released therefrom under conditions other than dishonorable."² The section continues on to define in detail the terms used. In short, veterans are people who served in the US Army, Navy, Coast Guard, Marines, or Air Force on active duty. They must have received a discharge that was "honorable," "under honorable conditions" (sometimes called a "general discharge"), or "under other than dishonorable conditions." National Guard and reserve members do not earn veteran status unless they have been mobilized by the President, have prior federal service, or were disabled as a result of their duty. It is important to note, however, that each veteran benefit program usually includes additional eligibility criteria.

The specific populations covered by this study include all residents of Pennsylvania who are veterans of the Armed Forces of the United States who were discharged with other than a dishonorable discharge and who therefore may have a claimed right to access of state veteran programs and benefits. This includes: veterans of all former and current wars as well as peacetime active duty service of sufficient length and character as to qualify for veteran status. The scope of this study did not focus exclusively on veterans accessing state benefit programs, like residency at one of the state operated veterans' homes, rather the study focuses on the collective veteran population of at 1.12 million male and female veterans and their survivors residing in Pennsylvania.

2. 38 US Code, Section 101.

**Table II-1: Pennsylvania's Veterans (FY04)
Population Demographics**

Pennsylvania Veterans	Population Served by DMVA
Veteran Residents of Pennsylvania	1,145,919*
Male Veterans	1,083,383
Female Veterans	62,537

Source: VetPop2004 (*2006 estimates is 1.12 million, see Table II-5)

**Table II-2: Pennsylvania's Veterans (FY04)
Regional Demographics**

Regional Demographics (108th Congress)	Regional Population
US Congressional District (01)	39,893
US Congressional District (02)	43,795
US Congressional District (03)	63,488
US Congressional District (04)	63,724
US Congressional District (05)	65,112
US Congressional District (06)	57,132
US Congressional District (07)	57,151
US Congressional District (08)	58,237
US Congressional District (09)	64,135
US Congressional District (10)	68,386
US Congressional District (11)	69,792
US Congressional District (12)	68,623
US Congressional District (13)	55,504
US Congressional District (14)	62,496
US Congressional District (15)	60,785
US Congressional District (16)	50,551
US Congressional District (17)	65,589
US Congressional District (18)	65,811
US Congressional District (19)	65,713

Source: VetPop2004

Older veterans as a group represent the dominant component of demand for veterans' services. While the total veteran population is in decline across the regions of Pennsylvania, the over 65 and over 75 population groups are increasing in total and as a proportion of the total veteran population. Moreover, this aging veteran population will continue to increase.

**Table II-3: Pennsylvania’s Veterans (FY04)
Age Demographics**

Age Demographics	Age Population
Veterans, Ages > 80	148,341
Veterans, Ages 75 - 79	126,343
Veterans, Ages 70 - 74	125,444
Veterans, Ages 65 - 69	107,541
Veterans, Ages 60 - 64	120,940
Veterans, Ages 55 - 59	167,491
Veterans, Ages 50 - 54	87,426
Veterans, Ages < 49	262,392

Source: VetPop2004

**Table II-4: Pennsylvania’s Veterans (FY04)
Era Demographics**

Era Demographics	Era Population
Veterans of World War II	211,316
Veterans of Korean War	149,673
Veterans of Vietnam War	335,124
Veterans of Gulf War	124,852

Source: VetPop2004

Nationally and in Pennsylvania, the number of veterans is declining. As Table II-5 illustrates, the number of veterans in Pennsylvania is estimated to significantly decrease between 2005 and 2025 with an overall decline of 42 percent in that time period. Of course this estimate does not take into consideration unknown policy factors that could influence the number of future veterans, like a return to conscription to provide manpower for current and future conflicts. What is certain is that any policy that influences the quantity and health of future veterans will impact how veterans’ services are administered.

Table II-5: Pennsylvania’s Veterans Past, Present, and Forecasted Population

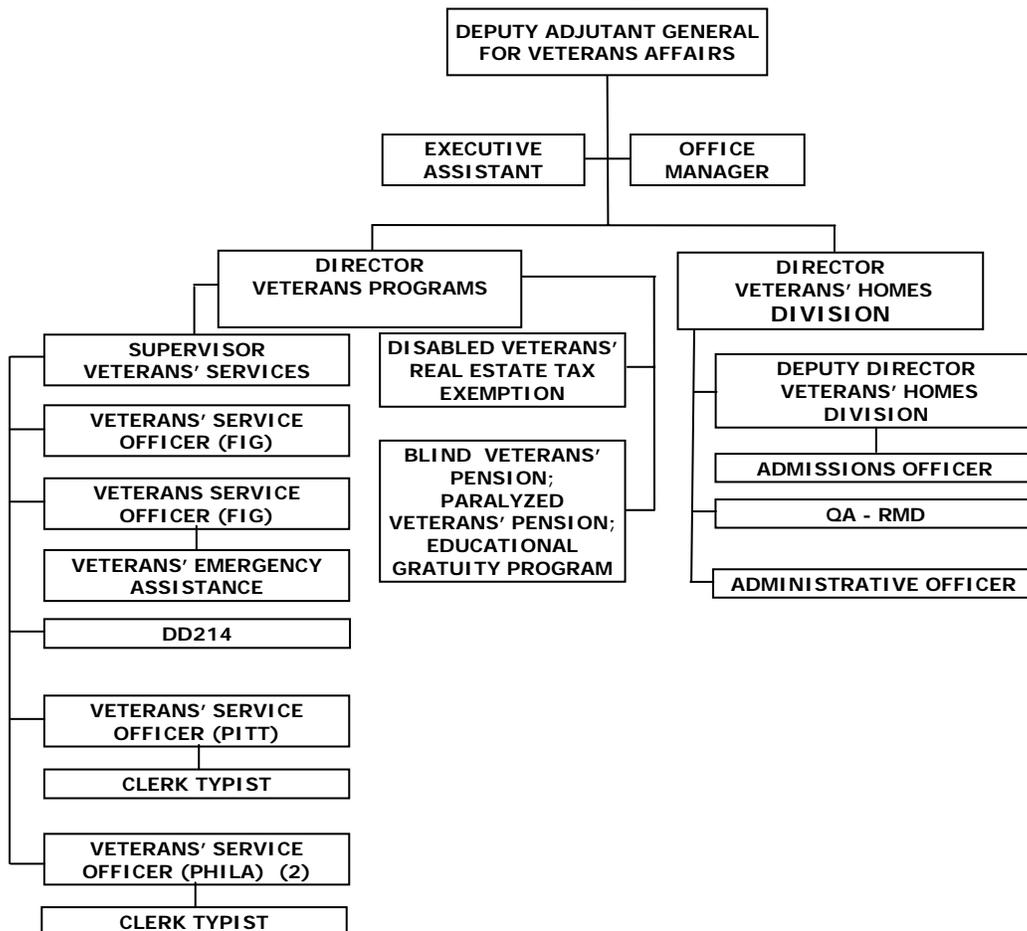
Year	Population
2000	1,267,086
2005	1,117,004
2010	970,726
2015	839,425
2020	731,661
2025	645,082
2030	574,691

Source: VetPop2004

Analysis

As fully documented, there is currently an established infrastructure for administrating veterans’ programs in Pennsylvania. While inefficiencies and recommendations for change have been identified, the system is currently operational. As of May 2006, the Bureau had 19/20 filled positions.

Bureau of Veterans Affairs Organization Chart



B. Commonwealth Veterans' Programs

In recognition of their service to the United States and Pennsylvania, qualified veterans receive special consideration through many Commonwealth veteran programs. These veteran programs are administered by several agencies, including DMVA, the Department of Labor and Industry, and the Pennsylvania Higher Education Assistance Agency. While many state agencies are involved in administering veteran programs, the Adjutant General of DMVA is charged by § 1 of Act 1975-92, 51 Pa. C.S.A. § 902(11), with coordinating all matters relating to veterans' affairs with other Commonwealth agencies and the respective agencies of the federal government.

The key findings stemming from our review of Pennsylvania's veterans' programs delineated in this Section address the programmatic issues. These findings serve as the basis of our recommendations in Section VI for improving the efficiency and effectiveness of veterans' services.

The following is a listing of veterans' programs administered by Commonwealth Agencies. Although not necessarily fully funded by the Pennsylvania General Assembly, veterans look to the responsible Commonwealth Agency to access these benefits.

BVA Program Analysis

Defense Solutions' system analysis covered the seven programs administered by BVA.

- State Veterans' Homes, 51 Pa.C.S.A. §902
- Scotland School for Veterans' Children, Act of 1893, P.L. 171
- Veterans' Emergency Assistance, 51 Pa.C.S.A. §8501-8505
- Educational Gratuity, 51 Pa.C.S.A. §8701-8703
- Real Estate Tax Exemption, 51 Pa.C.S.A. §8901-8906
- Blind Veterans' Pension, 51 Pa.C.S.A. §7701
- Paralyzed Veterans' Pension, 51 Pa.C.S.A. §7702

The analysis of each program reveals whether or not the needs of target populations are being met, if services within the program are appropriate and efficient, if the funding for the program is sufficient / appropriate, an analysis of costs per client for the program, and any findings on variance of costs attributable to geography, economies of scale variances, or reimbursement programs. The findings included in the below system analysis influenced each of the subsequent recommendations that are including in Section VI of this Study.

**Table II-6: Veterans Served Annually by DMVA
Program Totals (FY05)**

Program	Number Served by DMVA (Annual Approximation)
State Veterans' Home (Jan, 2006)	1,461
Scotland School for Veterans' Children (Jan, 2006)	288
Blind Veterans' Pension	120
Paralyzed Veterans' Pension	216
Emergency Assistance Program	1,654
Educational Gratuity Program	135
Real Estate Tax Exemption Program (Applications Processed)	1,170

Source: DMVA Documents

1. State Operated Veterans' Homes

Overview of Services

The State Veterans' Home Division of DMVA is comprised of a headquarters component at Fort Indiantown Gap, that supports the six State Veterans' Homes. It is the mission of the Pennsylvania State Veterans' Homes to provide individualized quality health care to the veterans of Pennsylvania and their spouses in a home-like atmosphere. Specially trained staffs provide modern preventive and rehabilitative services while encouraging residents' self-choice, well-being and dignity. Residents are encouraged to achieve their highest level of function and to maintain self-determination and independence.

The term "State Veterans' Home" means a home established by a State for Veterans disabled by age, disease, or otherwise who by reason of such disability are incapable of earning a living. A Veterans' Home may provide nursing home care, domiciliary care, hospital care, and/or adult day health care in combination with another level of care. Hospital care may be provided only when the State home also provides domiciliary and/or nursing home care. In the case of Pennsylvania, nursing home care and domiciliary care are currently offered. Nursing care occurs at all levels including dementia and skilled care. By definition, a resident is eligible for domiciliary care if he/she is not challenged by one or more deficiencies in the activities of daily living.

Admission to the facilities is on a first come, first served, basis, and is open to honorably discharged Pennsylvania veterans and their spouses. Even though there is a base per diem charged to residents, the rate charged to each resident is based on the ability to pay. The fee is all-inclusive for all goods and services.

The six State Veterans' Homes are strategically located throughout the Commonwealth of Pennsylvania. Demographics and data, as of 31 May 2006, concerning the homes are as follows:

Pennsylvania Soldier's and Sailor's Home

Erie, Erie County, Pennsylvania

Opened:	February, 1886
Nursing Care/Dementia Bed Capacity:	75
Personal Care/Domiciliary Bed Capacity:	100
Total Bed Capacity:	175
Total Beds Assigned / %:	151 / 86%
Authorized Number of Employees:	162

Hollidaysburg Veterans' Center

Hollidaysburg, Blair County, Pennsylvania

Opened:	June, 1977
Nursing Care/Dementia Bed Capacity:	347
Personal Care/Domiciliary Bed Capacity:	167
Total Bed Capacity:	514
Total Beds Assigned / %:	459 / 89%
Authorized Number of Employees:	603

Southeastern Veterans' Center

Spring City, Chester County, Pennsylvania

Opened:	December, 1986
Nursing Care/Dementia Bed Capacity:	192
Personal Care/Domiciliary Bed Capacity:	112
Total Bed Capacity:	304
Total Beds Assigned / %:	255 / 84%
Authorized Number of Employees:	316

Gino J. Merli Veterans' Center

Scranton, Lackawanna County, Pennsylvania

Opened:	November, 1993
Nursing Care/Dementia Bed Capacity:	184
Personal Care/Domiciliary Bed Capacity:	16
Total Bed Capacity:	200
Total Beds Assigned / %:	194 / 97%
Authorized Number of Employees:	261

Southwestern Veterans' Center

Pittsburgh, Allegheny County, Pennsylvania

Opened:	November, 1997
Nursing Care/Dementia Bed Capacity:	204
Personal Care/Domiciliary Bed Capacity:	32
Total Bed Capacity:	236

Total Beds Assigned / %: 226 / 96%
Authorized Number of Employees: 264

Delaware Valley Veterans' Home

Philadelphia, Philadelphia County, Pennsylvania

Opened: November, 2002

Nursing Care/Dementia Bed Capacity: 150

Personal Care/Domiciliary Bed Capacity: 41

Total Bed Capacity: 171

Total Beds Assigned / %: 165 / 96%

Authorized Number of Employees: 232

Recapitulation

Total Bed Capacity All 6 Homes: 1,600

Total Beds Assigned / % All 6 Homes: 1,450 / 91%

FY 05-06 COSTS FOR VETERANS AFFAIRS (State funds)

VETERANS' HOMES \$ 79,584,000

Although the impact has not yet been seen at veterans' homes, a new group of eligible veterans is emerging from Desert Storm and Iraqi Freedom. Due to the nature of their injuries, veterans' homes across the Commonwealth and nation could begin to see applications for admissions from veterans with multiple amputations, traumatic brain injuries, and post traumatic stress-related injuries once they have completed the acute care phase of their treatment.

Recognizing the opportunity for efficiency, resource, and cost savings within the structure and processes of the State Veterans' Homes and their administration, DMVA solicited a contractor's assistance to: (a) analyze the administrative and health care process at its six veterans' homes and administrative headquarters; (b) conduct detailed process analysis; (c) benchmark the veterans' homes processes against proven industry norms and standards; and, (d) evaluate current administrative processes, organizational structures (including management structures), and staff resources being utilized; for the purpose of providing detailed process workflows for the processes analyzed and providing recommendations for process efficiencies. On April 24, 2006, DMVA selected and awarded Affinity Health Services, Inc. the contract to perform this effort with an expected completion date of September 29, 2006. The timeliness of this assessment and analysis is important, as this type of detailed study analysis of the Veterans' Homes and its Administration has never before been contracted. It is our recommendation that the General Assembly review the final products of this study.

The mission statement of the agency reflects the knowledge that DMVA is focused on providing quality care for those veterans with special needs. As a result of factors like age, gender, case mix, diagnosis, demographic changes, and recent and current wars, the BVA must continue to evaluate its services on an ongoing basis and ensure that the care and services provided are appropriate to its mission and responsive to the changing special needs of the veterans'

community. DMVA's long-range strategic operating plans and capital budget goals are to ensure that each of its Veterans' Homes is able to provide the highest quality of care to its residents in a therapeutic, highly adaptive, and dignified environment, in a most stewardly manner.

Individuals served by the Veterans' Home system—namely, the aged veterans, those with dementia, with traumatic brain injuries, with physical disabilities, and with developmental disabilities—face a system that is challenged by the recruitment of qualified, professional staff. Moreover, the unique evolutionary nature of the BVA's system has made it increasingly difficult to accurately measure performance and outcomes across a wide range of Homes. The combination of these factors provided the catalyst for DMVA's request to generate a comprehensive system analysis and recommend possible solutions for change and improvement.

The tremendous growth of state veterans' homes in Pennsylvania, having doubled to six (6) Homes in the past twelve (12) years, has brought challenges in uniformly managing these health care facilities, making it increasingly difficult to accurately measure performance and outcomes. Pennsylvania, like many states, is faced with significant waiting lists and increased demand that can only be met with a comprehensive system of long-term care services that is well-developed and reasonably funded.

During the data collection phase of this study, the study team heard numerous discussions about the need for a 7th -- and even an 8th -- state-operated veterans' home to be located in the greater Harrisburg area. The demographic distribution of veterans across the Commonwealth and the current location of the six Veterans Centers indicate the need to address the geographic imbalance. Whether a 7th state-operated Veterans' Center is the answer to this imbalance is beyond the scope of this study. Before endeavoring to create additional homes, the Bureau for Veterans Affairs or the proposed Department for Veterans Affairs will need to study the demographics to determine the needs of the Commonwealth's veterans ten, twenty, thirty years or more from now and how best to address those future needs. It may be that creating new homes is warranted. It may also be true that the needs of today's veterans and those in need in the future, can more easily be met through contracted use of private sector facilities rather than by creating additional state bureaucracy in the form of additional veterans homes. Similarly, at some point, the BVA or the proposed Department may want to study whether the entire veterans' home program could be better managed by private sector contractors rather than by state government.

2. Scotland School for Veterans' Children

Overview of Services

Established in 1895, the Scotland School for Veterans' Children (SSVC) is a unique, state-funded institution offering quality residential education to the children of Commonwealth veterans. It is the only institution surviving a group of forty-four leased facilities that cared for veterans' children from 1864 to 1912. The Scotland School and a similar institution in Indiana are the only two state-operated institutions in the nation that are still in operation. The Indiana school has expanded enrollment to include children of non-veterans. Ohio closed its veterans'

children's home in 1997, leaving Scotland School as the only, state-operated school exclusively for veterans' children. The Department of Military and Veterans Affairs has operated the Scotland School since 1996.

As of February 13, 2006, there were 285 students in grades 3 through 12 in residence. The coed student body is composed of children from Pennsylvania, regardless of their financial situation. There are no financial requirements for admission, and the only costs to the families of the students are small refundable breakage fees.

Students are housed in "cottages" on the school's very attractive 186-acre campus located in southern Franklin County near Chambersburg. Each cottage houses 12 students led by a professional house-parent. Although they eat their breakfast in their resident cottage, all students dine in a universal dining hall for the other two meals. Mealtimes are more or less separated by grades or age groups. The food service is provided under contract by a non-government, private sector catering service.

The SSVC staff is led by a Superintendent supported by an Assistant Superintendent, Director of Programs, Director of Student Affairs, School Principal, and HR Officer. The school staff numbers between 40 – 45 persons including teachers, instructors and professional staff. All of the teachers hold the current professional certifications as required by Pennsylvania's School Code.

The school building itself was erected in 1932 with some later additions like a full-size auditorium and recreation facilities, including an indoor, Olympic-size swimming pool. There are well-maintained athletic fields, and despite its small High School population, the SSVC has been able to field competitive athletic teams into the Blue Mountain League. The SSVC participates in both male and female organized sport activities.

The SSVC has hosted a federally recognized Junior ROTC program since June 1980. All students, both male and female from Grade 9, are required to participate in this youth program. Although the classes of instruction are separated by academic grade, the formations are integrated without concern for the age or grades of the cadets. This program is fully federally funded, including the salaries of the instructors, the cadet uniforms and other military equipment. The military staff is composed of three persons, led by a Chief Warrant Officer as the Senior Army Instructor, and two Army Instructors, both retired NCOs. In addition, the JROTC supports and operates a volunteer, non-uniformed corps of 7th and 8th grade students, known affectionately as the "Raiders."

Generally speaking, the "above-the-budget" activities available to the students are financially supported by Pennsylvania Veterans' Service Organizations. The various veterans' groups donate funds for items like the Senior Prom, several Christmas parties, picnics, the presentation of the class rings to each Junior Class, and other similar events. As an example of the veterans' generosity, all members of the Class of 2005 received \$1,000 college scholarships from The American Legion.

In 1996, the SSVSC created a Scotland School Foundation for the purpose of establishing a capital reserve fund. This fund, currently led by former Superintendent Frank Frame, maintains itself through donations and fundraising efforts. As an example of this effort, last year, the “Tree of Lights” effort raised a total of \$44,580. The Capital Campaign that ended on May 11, 2005 has accumulated pledges of \$1,171,753.25 with 77.8% or \$910,878.00 already in hand. These monies are used to cover many unfunded maintenance and beautification efforts.

Programmatic Findings

The Scotland School could be -- perhaps should be -- the pride of Pennsylvania. But, for a variety of reasons, the school’s physical facilities have been allowed to deteriorate to the state that many of the late 19th century buildings are no longer habitable. Some long neglected buildings are only useful for storage.

Despite attempts to diversify the student population, many of Pennsylvania’s 67 counties do not have any students in attendance. The largest majority of students are from Philadelphia. As a result, most Members of the General Assembly have few or no constituents in contact with SSVSC students.

Enrollment has declined to approximately 285 students as of February 2006 while the combined faculty and staff total about 130 personnel. This very low student to faculty/staff ratio makes the per student cost very high.

With a combined federal and state budget in FY2006 of approximately \$9.23 million, the total cost to operate the Scotland School is more than \$43,000 per student per year -- an amount about \$10,000 per student per year higher than the National Average tuition to attend a privately operated college preparatory boarding school (the amount paid to send a student to the school but not necessarily the full operating cost per student) -- however, of that \$43,000, \$511 is Federal funding and of the rest, \$2,122 is PDE Augmentation that would have gone to the public school that the student would have attended were he or she not enrolled in the SSVSC.³

According to the Scotland School Superintendent, current facilities and staffing could accommodate a “50% increase” at only marginal costs. Assuming that his statement is accurate, a 50% increase in enrollment would raise the student population to about 425 and lower the per student costs to less than \$29,000.

Approximately 22% of the SSVSC budget is classified as “Augmentation” funding. This entry represents payments from the school districts that the SSVSC student would otherwise be attending. If the SSVSC Superintendent is correct and student enrollment could increase 50% without adding faculty or facilities, these additional students should generate additional federal and augmentation funding – possibly reducing the need for some of the state funding.

3. According to the “Boarding School Review,” the national average cost to attend a college preparatory boarding school is about \$33,000 per year.

SCOTLAND SCHOOL FOR VETERANS' CHILDREN					
Annual Operating Budget					
	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07 (budgeted)
State	8,167,000	8,000,000	8,593,000	9,223,000	9,592,000
Federal	481,000	506,000	500,000	511,000	515,000
Augmentation	2,216,000	2,032,000	2,313,000	2,122,000	2,224,000
Total	10,865,000	10,538,000	11,406,000	11,856,000	12,331,000

The Scotland School for Veterans' Children was not a major aspect of this study. Our study team did include a former SSVC faculty member who both taught and resided on campus for eight years. This background, combined with other experiences and observations, led the study team to conclude that SSVC is a valuable institution and worthy of being saved. But, to save the SSVC also requires modifying operations to make it cost-effective. In this regard, we offer several additional recommendations that may warrant further study.

These recommendations include:

Should the General Assembly decide to retain the Scotland School as currently organized, the number of students enrolled should be increased to lower the per student costs. In addition to simply increasing the enrollment, SSVC should expand its recruiting activity to include the entire state. The broader representation in the student body from across the State could increase support for the school in the General Assembly.

Should the General Assembly decide to retain the Scotland School as currently organized, even at the low student enrollment, additional funding on the order of \$2 million per year for five or more years is required to restore the dilapidated physical facilities.

Other options to reduce the per-student operating costs might include:

- Maintain the residential character of SSVC but eliminate all teaching and enroll the students in local schools. The Veterans' of Foreign Wars National Home for Children in Eaton Rapids, Michigan (www.vfwnationalhome.org) sends its residential students to nearby public schools.
- Retain SSVC, but privatize its operation.
- Close SSVC but retain the support to veterans' children by contracting with private, boarding schools in the Commonwealth to enroll students based on age, gender, geography and special needs.

A decision to modify, retain, or to close Scotland School should rest on more than a simple analysis of potential savings. Savings are important, but first and foremost we urge the General

Assembly to consider what is best for the children. It would be a mistake to take away what may be a child's only chance for a safe and nurturing environment without providing a viable alternative. The last bullet item written above offers the potential for substantial savings to the Commonwealth and will support the needs of the students, provided of course that such a program is adequately funded. In reality, we know that funding is never guaranteed and programs can easily be reduced or eliminated during future economic crises.

With all its obvious shortcomings, the Scotland School for Veterans' Children is a real brick and mortar facility operated by competent and caring individuals. To its credit, over the last five years, 95% of its graduates have gone on to college, a trade school, or entered military service. Close this school and it will be gone forever. Replace it with a promise that future Administrations will fund scholarships or contracts with private schools and we run the risk that without the brick and mortar facility that budget cuts will eliminate the program, memories will fade and promises will be forgotten along with the Commonwealth's commitment to veteran's children.

One last point: The study team was very impressed with the uniqueness of the Scotland School and the potential that it holds to be the "crown jewel" for Pennsylvania's veterans. The Commonwealth rightly spends substantial sums to provide a dignified environment for our aged and infirm veterans at the six Veterans homes. Veterans want the same commitment to veterans' children. The SSVC facilities are in need of repairs after significant periods of neglect, but they could easily house the headquarters for a new Department for Veterans Affairs. By locating the headquarters at Scotland School, the attention of the Commonwealth's veterans would focus here and benefit the program in many ways, plus reduce the cost of creating a new department by utilizing existing facilities.

Scotland School for Veterans' Children Matriculation to Post Secondary Institutions

	SY 2001-2002	SY 2002-2003	SY 2003-2004	SY 2004-2005	SY 2005-2006
Total Graduates:	31	40	37	31	30
4 yr College or University	22	28	21	25	25
2 yr College or Tech School	5	6	11	3	5
Entered Military Service	1	1	3	2	0
Other & Unk	3	5	2	1	0

3. Veterans' Emergency Assistance

Overview of Services

The Veterans' Emergency Assistance program provides temporary financial assistance to eligible veterans, their unmarried surviving spouses and surviving dependents when they face a financial emergency and need assistance to provide themselves with the necessities of life. Applicants

must demonstrate that they are eligible veterans or surviving dependents of eligible veterans; they are residents of Pennsylvania who permanently reside exclusively in the Commonwealth; they are not receiving monetary assistance payable under the Public Welfare Code; they suffered a sudden or unexpected loss of income such that they have a direct and immediate demonstrable financial need in order to provide food, shelter, clothing, required medical care, and other necessities of life. Emergency is described as a sudden or unexpected loss of income due to sickness, disability, unemployment or other cause beyond the control of the applicant for emergency assistance.

No person may receive assistance for more than three months in any twelve-month period nor shall the payments exceed the maximum payable for a family of the same size under the Public Welfare Code. The State Veterans' Commission is responsible to recommend uniform and equitable standards for the amounts of veterans' emergency assistance, subject to the Public Welfare Code limitations. Veterans' emergency assistance is paid monthly, and no payments are made in the form of relief orders. The Department may adjust the amounts of assistance paid so that the total paid does not exceed the amount of the appropriation.

Any person who feels aggrieved by a decision denying payment of veterans' emergency assistance may appeal to the Adjutant General under the provisions of Title 2 Pa.C.S. relating to administrative law and procedure.

Programmatic Findings

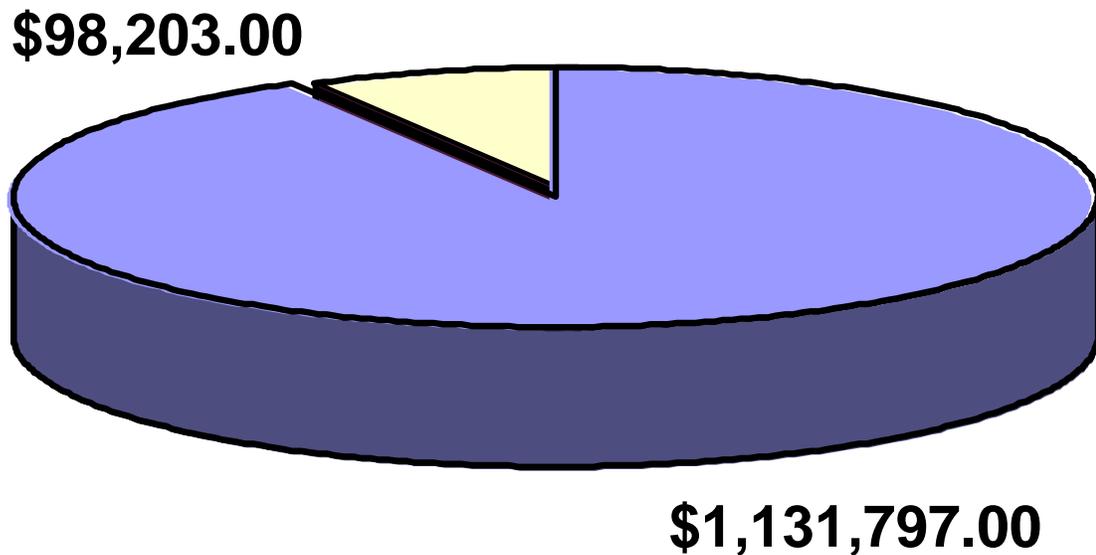
There were no identified problems or recommendations for changes to this program. However, should a Department for Veterans Affairs be created, it is recommended that an appeal for denial of benefits under this program be addressed to the Secretary of the Department rather than to the Adjutant General as current law provides.

Program	FY 02-03	FY 03-04	FY 04-0	FY 05-06	FY06-07 Budgeted
Emergency Assistance	927,000	1,230,000	1,230,000	1,230,000	1,230,000

EMERGENCY ASSISTANCE PROGRAM FY 04/05 FUNDING SUMMARY

Appropriated: \$1,230,000.00

* Once the appropriation is expended the program stops

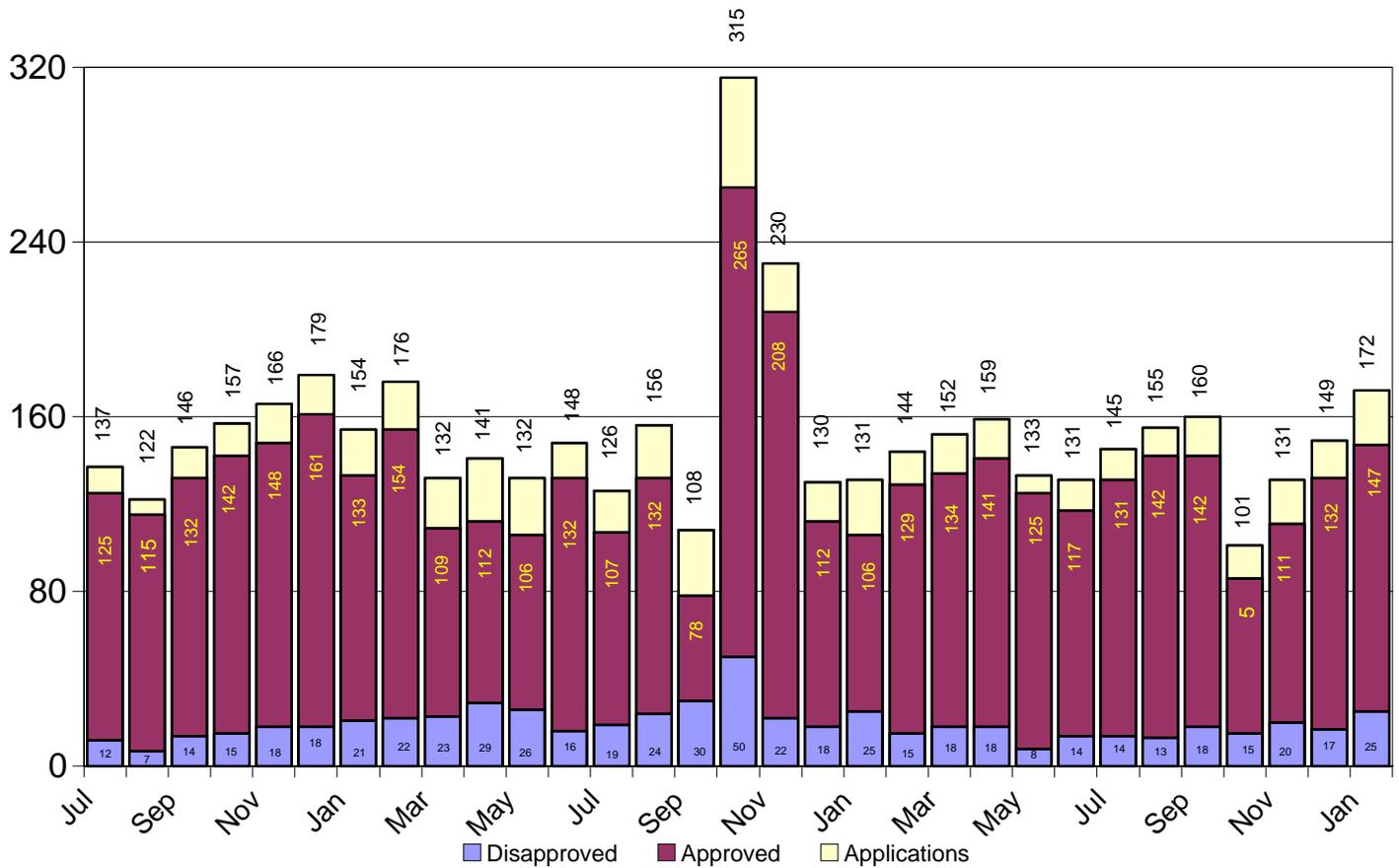


■ EXPENDED

■ LAPSED

DATA PROVIDED BY DMVA 03.14.2006

EMERGENCY ASSISTANCE PROGRAM PROGRAM DATA COMMENCING JUL 03



DATA PROVIDED BY DMVA 03.14.2006

4. Educational Gratuity

Overview of Services

The Educational Gratuity program provides education gratuities up to \$500 per term or semester per qualified child to each approved educational institution upon submission of proof that bills have been incurred or contracted covering matriculation and other necessary fees, tuition, board, room, rent, books, supplies in a definite amount for the school year. The applicant must be between the ages of 16 and 23; the child of an eligible disabled or deceased veteran; and a resident of the Commonwealth for a period of five years immediately preceding the date the application is filed. The applicant must also demonstrate a financial need for the gratuity.

The State Veterans' Commission determines eligibility. The commission ascertains whether the child meets the age and need requirements and that the applicant is attending an approved educational institution.

No educational gratuity may be paid for a period longer than four scholastic years.

Any applicant who feels aggrieved by a decision denying payment of an educational gratuity may appeal to the Adjutant General under the provisions of Title 2 Pa.C.S. as relating to administrative law and procedure.

Programmatic Findings.

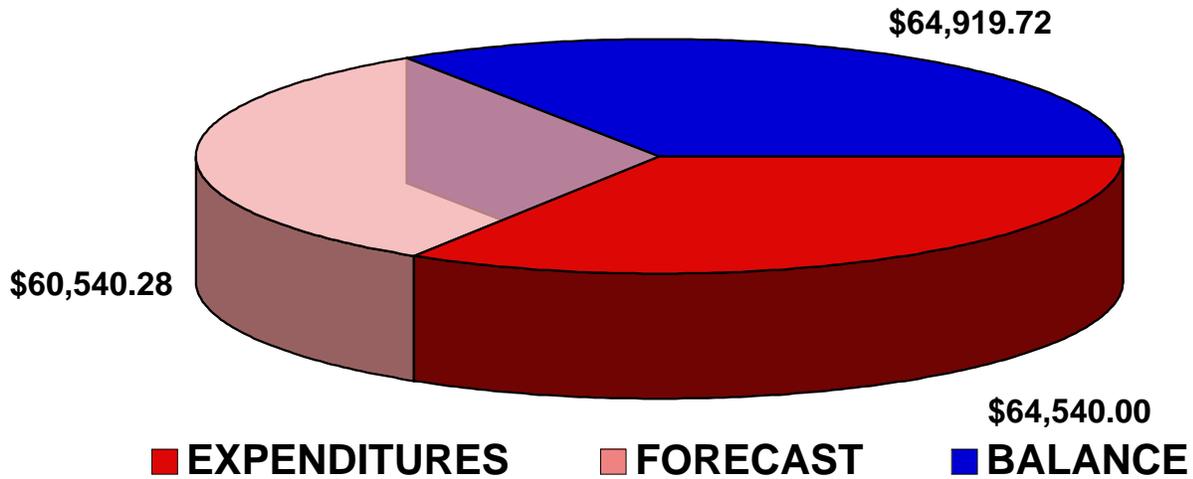
As shown below, \$190,000 is budgeted for FY06-07 -- the same amount authorized for the past four years. This funding is sufficient to raise the monthly benefit to \$750 per semester or term and still have a margin in the event that additional veterans' children apply for and qualify for the benefit. At this amount, an additional 32 veterans beyond the current 94 are covered by available funding.

Recommendation: Raise the monthly benefit to not less than \$750 per semester or term.

Program	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY06-07 Budgeted
Education Gratuity	100,000	190,000	190,000	190,000	190,000

EDUCATION GRATUITY PROGRAM

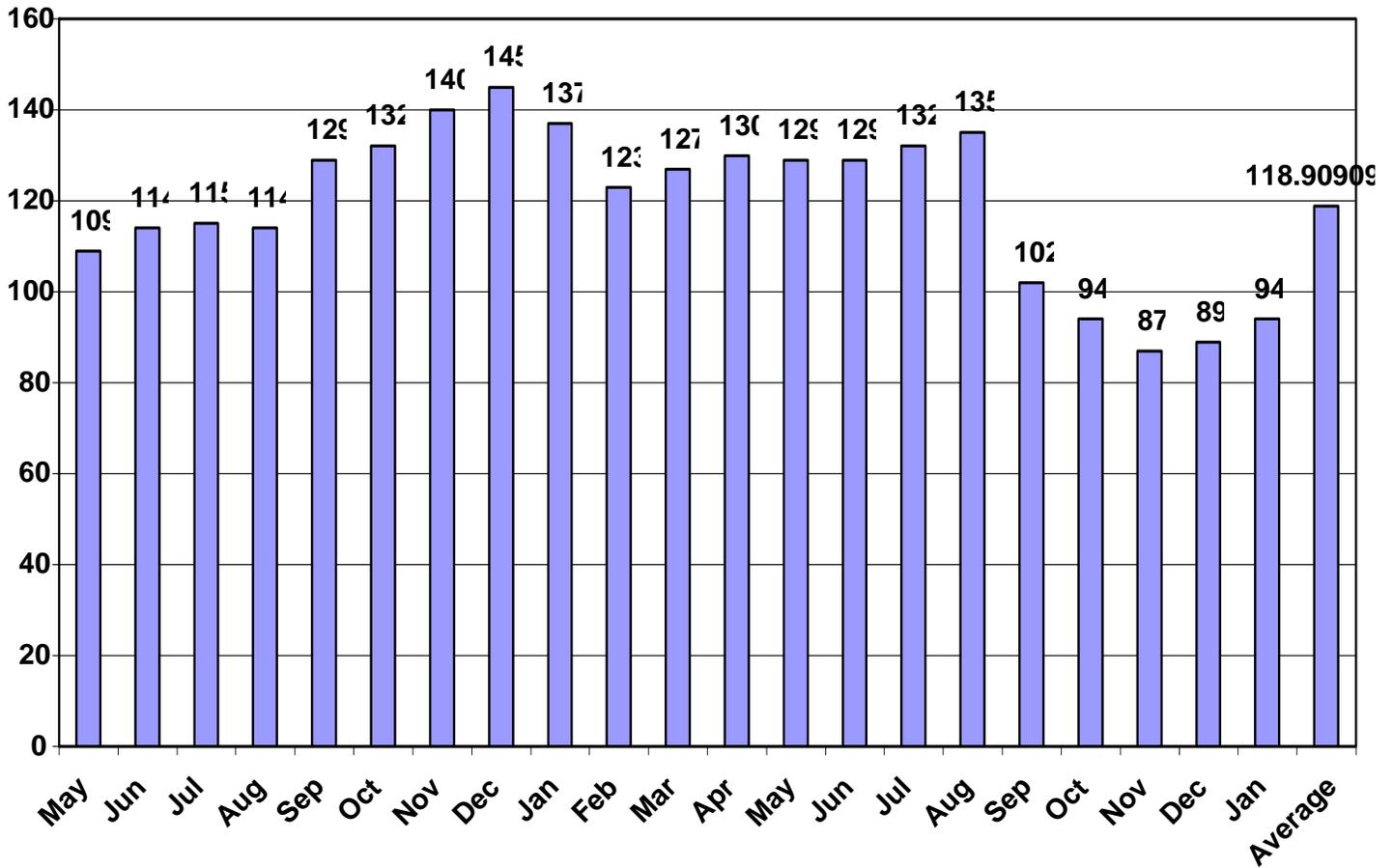
Participants as of Jan 06: 94
 FY 04/05 Participants: 135
 FY 03/04 Participants: 114
 Appropriated: \$190,000.00



DATA PROVIDED BY DMVA 03.14.2006

NOTE: EXPENDITURES: Spent to date; FORECAST: Expected additional monies to be spent prior to the end of the FY 2006 i.e. second semester, summer session; BALANCE: remaining at the end of the FY 2006.

EDUCATIONAL GRATUITY PROGRAM COMMENCING MAY 04



DATA PROVIDED BY DMVA 03.14.2006

5. Disabled Veterans' Real Estate Tax Exemption

Overview of Services

Any honorably discharged veteran who is a resident of the Commonwealth is exempt from the payment of all real estate taxes levied upon any building, including the land upon which it stands, occupied as the principal dwelling, provided that as a result of wartime military service the veteran has a 100% service-connected disability rating by the US Department of Veterans' Affairs; that such dwelling is owned by the veteran solely or jointly with spouse (an estate by the entirety); and that the financial need for the exemption from the payment of real estate taxes has been determined by the State Veterans' Commission. Upon the death of the qualified veteran, the exemption passes on to the unmarried surviving spouse if the financial need can be shown. The determinations are reviewed every two years.

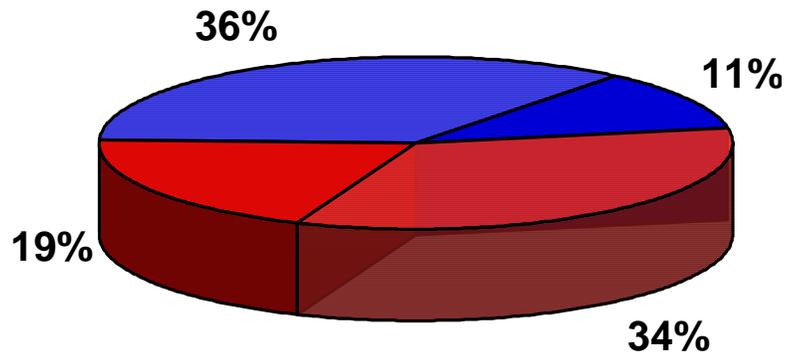
Any applicant who feels aggrieved by a decision denying tax exemption may appeal to the Adjutant General under the provisions of Title 2 Pa.C.S. relating to administrative law and procedure.

Programmatic Findings

There were no identified problems or recommendations for changes to this program. However, should a Department for Veterans Affairs be created, it is recommended that an appeal for denial of benefits under this program be addressed to the Secretary of the Department rather than to the Adjutant General as current law provides.

JAN 06 REAL ESTATE TAX EXEMPTION PROGRAM

- NEW APPLICATIONS (Approved): 21
- REVIEW (Approved): 12
- NEW APPLICATIONS (Denied): 22
- REVIEW (Denied): 7



20: Non-substantiated Financial Need
2: No War-time/Armed Conflict Service
0: Disability Not Service Connected
2: Property Not Owned Solely By Veteran
5: NOT 100% Disabled (VA Certified)
29: Denied

DATA PROVIDED BY DMVA 03.14.2006

6. Blind Veterans' Pension

Overview of Services

A state benefit of \$150 per month is available to a person who served in the military or naval forces of the United States or any women's organization connected officially therewith; gave the Commonwealth as his or her place of residence at the time of entering the military or naval forces; and while performing duties connected with such service suffered an injury or incurred a disease that resulted in blindness to the extent that he or she has 3/60 or 10/200 or less normal vision.

The benefit does not apply for a person separated from the military or naval forces of the United States or a women's organization officially connected therewith under other than honorable conditions.

The blind veteran is not required to reside in Pennsylvania to receive his / her pension.
\$306,000 appropriated to 115 veterans in FY06

Programmatic Findings

As shown below, \$306,000 is budgeted for FY06-07 for the current program of 115 veterans. This funding is sufficient to raise the monthly benefit to \$200 per month and still have a margin in the event that additional veterans apply for and qualify for the benefit. At \$200 per month, an additional 12 veterans beyond the current 115 are covered by available funding.

Recommendation

Raise the monthly benefit to not less than \$200 per month.

Program	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY06-07 Budgeted
Blind Vet Pension	\$218,000	\$235,000	\$235,000	\$306,000	\$306,000

BLIND VETERANS PENSION

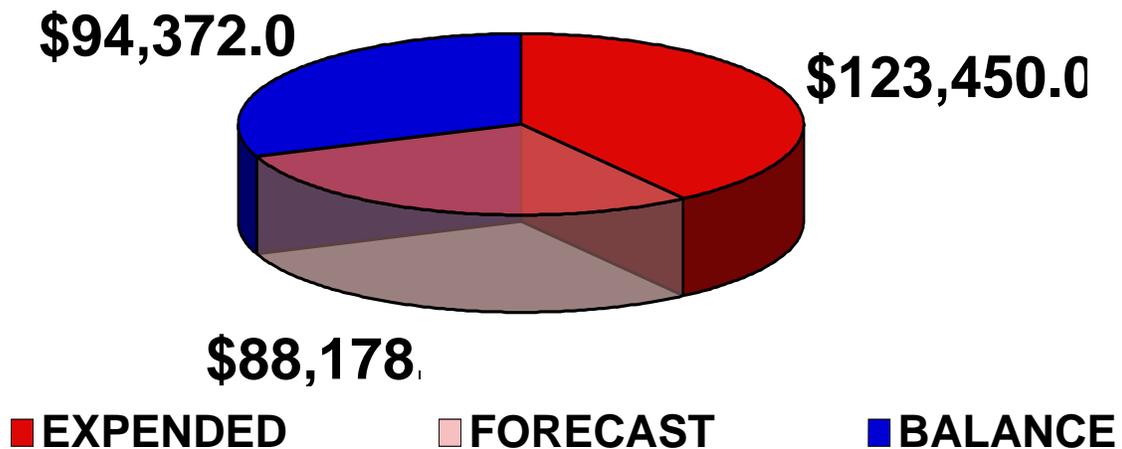
Jan 06: 115

Veterans Served FY 04/05: 120

Veterans Served FY 03/04: 119

Veterans Served FY 02/03: 119

Appropriated: \$306,000.00

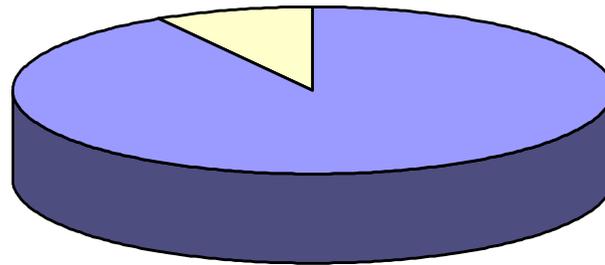


DATA PROVIDED BY DMVA
03.14.2006

BLIND VETERANS PENSION FY 04/05 FUNDING SUMMARY

Appropriated: \$235,000.00

\$20,200.00



\$214,800.00

EXPENDED

LAPSED

DATA PROVIDED BY DMVA 03.14.2006

7. Paralyzed Veterans' Pension

Overview of Services

The Paralyzed Veterans Pension provides for a \$150 per month pension to those honorably discharged veterans who have lost the use of two or more extremities while serving in active duty in the military during an established war, armed conflict, or combat related conflict during peacetime. Eligible veterans must have reported Pennsylvania as their residence upon entering the military; however, effective July 1, 2002, veterans no longer must reside in Pennsylvania in order to receive this pension.

The benefit does not apply for a person separated from the military or naval forces of the United States or a women's organization officially connected therewith under other than honorable conditions.

Programmatic Findings

As shown below, \$527,000 is budgeted for FY06-07 for the current program of 218 veterans. In view of the current conflict and the increasing number of veterans with service-connected disabilities, the Commonwealth should closely monitor this program for future funding increases. At the current participation rate, the current appropriation supports a modest benefit increase from \$150 per month to \$200 per month.

Recommendation

Raise the monthly benefit to not less than \$200 per month. Monitor this program for increased participation and funding requirements.

Program	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY06-07 Budgeted
Paralyzed Vet Pension	\$411,00	\$460,000	\$460,000	\$527,000	\$527,000

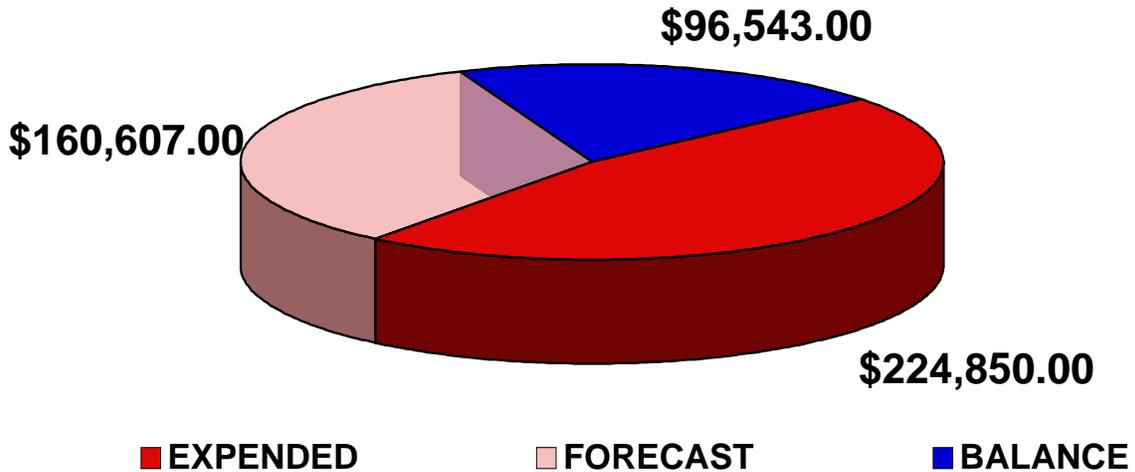
Participation

215	212	216	218
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As of January 2006, there were 218 participants in the Paralyzed Veterans' Program.

PARALYZED VETERANS PENSION

Jan 06: 218
Veterans Served FY 04/05: 216
Veterans Served FY 03/04: 212
Veterans Served FY 02/03: 215
Appropriated: \$482,000.00



DATA PROVIDED BY DMVA 03.14.2006

8. PA Department of Labor and Industry Programs

Overview of Services

The Department of Labor and Industry administers two programs for veterans, one of which is under federal guidelines and the other is through a Memorandum of Understanding with the DMVA. These are:

Veterans' Employment: Established to meet the training needs of service-connected disabled veterans, veterans of the Vietnam era, and veterans who are recently separated from military service. These programs are to provide outreach and public information activities to promote maximum job opportunities and job training for such veterans and to inform such veterans about employment, job training, on-the-job training, and educational opportunities.

Governor's Veterans Outreach and Assistance Centers (GVOACs): Provides information and referral services to Pennsylvania veterans through five regional centers. The program is to serve as a bridge or link between the individual veteran requiring information or assistance and the public or private agency that can best meet the veteran's needs. The program is administered by the Department of Labor and Industry, although the DMVA is responsible for establishing its policy direction.

Programmatic Findings

This study did not review the veterans' employment programs administered by the US Department of Labor because it is outside the scope of this study. Neither the current Department of Military and Veterans Affairs or the proposed Department of Veterans Affairs will have responsibility for this federal program.

The study did review the Governor's Veterans' Outreach and Assistance Centers and recommends that they be incorporated into the proposed new Department of Veterans Affairs, should it be created, or into the Department of Military and Veterans Affairs. See Section III, Paragraph C. Sub-Paragraph 5. for details.

9. PA Higher Education Assistance Agency Program

Overview of Services

The Pennsylvania Higher Education Assistance Agency administers the Veterans' Education Program, 24 P.S. §5171 et seq., and the POW/MIAs Education Program, 22 Pa. Code §§121.111 – 121.118. A brief description of each follows:

Veterans' Education: Annual state grants to a maximum of \$3,100 are available for qualified veterans who need financial assistance to complete approved programs of postsecondary education from the PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY (PHEAA) Veterans must be enrolled in approved programs of education. Scholarships to cover full-time study shall not exceed, per academic year, the tuition and fee charges at the institution of higher learning at which the applicant is enrolled or \$3,100, whichever is less.

POWs/MIAs Education: Provides grants to qualified dependents enrolled in an approved program of study. The applicant must demonstrate financial need in accordance with agency procedures and without regard to the financial status of the parents or the scholastic achievement test score of the applicant.

Programmatic Findings

There were no identified problems or recommendations for changes to this program.

10. State Approving Agency Program

Overview of Services

The State Approving Agency (SAA), together with the federal government, manages veterans' education benefits throughout Pennsylvania.

The role and mission of the Pennsylvania SAA (Division of Veterans' and Military Education of the Commonwealth Department of Education (DOE)) includes, but is not limited to, the approval and the supervision of education programs for eligible veterans, dependents, members of the National Guard and other military reservists who are Pennsylvania citizens. It operates under the auspices of the Pennsylvania DOE and is required to specifically approve each program of education and/or training for which a veteran, or other eligible person, wishes to use GI Bill benefits.

As of January 31, 2006, the SAA of the Pennsylvania DOE has approved more than 600 educational institutions with more than 10,000 programs and more than 500 training establishments with more than 750 on-the-job training or apprenticeship programs.

GI Bill benefits may be used at:

- Colleges and Universities for both undergraduate and Graduate studies, Certificates, Teacher Certificates, Preparatory Programs for SAT, GRE, Engineering Reviews, etc.
- Business, Occupation or Trade Schools for Certificates, Correspondence Courses, CPA, Review, Diplomas, Police Training, Specialized Degrees, etc.
- Cosmetology and Barber Schools for Barber, Cosmetician, Cosmetology, Manicurist, etc. studies
- Medical Services for Nursing studies, Paramedic Training, Radiology, Medical Residencies, etc.
- Career and Technology Centers and High Schools for Carpenter, Cook, Corrections Officer, Electrician, Machinist, Painter, Welder, etc. skills development

The DOE Division of Veterans' and Military Educations has 9 staff members located in 3 office sites throughout Pennsylvania. These include:

12 Fl, Harrisown 2 Bldg, Harrisburg hosts a Chief, one Veterans' Training Supervisor and two Veterans' Training Specialists, all considered as professional staff plus one support person

1007 Philadelphia State Bldg, Broad and Spring Garden Sts., Philadelphia hosts one Veterans' Training Specialist

1202 Pittsburg State Office Bldg, Pittsburgh hosts one professional Veterans' Training Supervisor and two Veterans' Training Specialists, one of whom functions as a support person

The SAA is sustained through federal funding. All costs involved with the SAA, including the entire veterans' approval staff are borne by the US Department of Veterans' Affairs through a post-facto reimbursement process to the state DOE. This veteran-specific, significant program operates with no direct costs to Pennsylvania.

Programmatic Findings

This study did not review the role, mission or funding of the Pennsylvania State Approving Agency since it is sustained by federal funds at no direct costs to the Commonwealth. Neither the current Pennsylvania Department of Military and Veterans Affairs or the proposed Department of Veterans Affairs will have responsibility for this federal program.

Recommendations

There were no identified problems or recommendations for changes to this program.

11. Other Pennsylvania Veterans' Programs and Benefits

Other programs and benefits available to Commonwealth veterans include:

Civil Service Preference

Agency: Civil Service Commission

Benefit: Ten points added to a passing examination score for the initial appointment, and *absolute preference*. (After having 10 points added to the score, if the veteran is one of the top three scoring candidates, the veteran must be offered the position.)

Eligibility: Honorably-discharged veterans, widows of veterans, and wives of veterans with service-connected disabilities

State Retirement

Agency: State Employees' Retirement System

Benefit: Option to contribute for a maximum of five years' military service

Eligibility: Honorably-discharged veterans with three years of Commonwealth employment

Vital Records

Agency: Department of Health, Division of Vital Records

Benefit: Free certified copies of birth and death records

Eligibility: Veterans and their dependents

Vehicle Registration

Agency: Department of Transportation, Bureau of Motor Vehicles

Benefit: Special registration plates designating the vehicles of disabled or severely disabled veterans

Eligibility: Totally ("severely") disabled veterans with 100% service-connected disabilities and other veterans with service-connected disabilities

Purple Heart or POW Registration Plate

Agency: Department of Transportation, Bureau of Motor Vehicles

Benefit: Special registration plate

Eligibility: Purple Heart recipients and former prisoners of war

Parking Placard

Agency: Department of Transportation, Bureau of Motor Vehicles

Benefit: Free placard designating a disabled veteran's vehicle and permitting the use of handicapped persons' parking areas

Eligibility: Veterans with service-connected disabilities

Fishing License

Agency: Fish Commission

Benefit: Free resident fishing license

Eligibility: Veterans having lost the use of one or more limbs or incurred total blindness or 100% disabilities as the result of military service during a war or an armed conflict

Hunting License

Agency: Game Commission

Benefit: Free hunting license

Eligibility: Veterans having lost the use of one or more limbs or incurred total blindness or 100% disabilities as the result of military service during a war or an armed conflict

Antlerless Deer License

Agency: Game Commission

Benefit: Antlerless deer license regardless of the county allocation

Eligibility: Veterans having lost the use of one or more limbs or incurred total blindness or 100% disabilities as the result of military service during a war or an armed conflict

Burial Allowance

Agency: County Directors of Veterans' Affairs

Benefit: \$75 or \$100 contribution toward funeral expenses

Eligibility: Deceased service persons and their spouses who have not remarried

Grave Markers

Agency: County Directors of Veterans' Affairs

Benefit: Cast bronze markers

Eligibility: Deceased service persons

Headstones

Agency: County Directors of Veterans' Affairs

Benefit: Up to \$100 for a headstone, base, lettering, or memorial tablet

Eligibility: Deceased service persons

Marriage and Divorce Records

Agency: County Directors of Veterans' Affairs

Benefit: Free certified copies of marriage and divorce records

Eligibility: Disabled wartime veterans, or members of the armed forces, of any war or armed conflict involving the United States

Discharge Certificate

Agency: County Directors of Veterans' Affairs

Service: Free recording of honorable discharge certificates

Programmatic Findings

The Commonwealth provides a generous level of benefits to eligible veterans, as enumerated above. However, a number of the benefits are of questionable value to those eligible and may give the general public an unrealistic view of the true benefits provided. For example, how many blind veterans really apply for free hunting or fishing licenses? There are only 115 veterans drawing a blinded veteran pension, so it is unlikely that more than that utilize this benefit.

Likewise, the County burial allowance of \$75 and \$100 headstone benefit, while appreciated, are insignificant to a family facing a national average \$6,500 burial expense.

C. Duties and Functions of Other Veterans' Organizations

1. State Veterans' Commission

Current Situation

The State Veterans' Commission is authorized under Title 51 Pa.C.S. as amended. This commission is established within the Department of Military and Veterans Affairs as an advisory commission. The commission is composed of: (1) The Adjutant General (ex officio) or his/her designee; and, (2) The State Commander, or head, or his/her designee of each of the following named veterans' organizations:

- The American Legion
- AMVETS
- Blinded Veterans' Association
- Catholic War Veterans of the United States of America
- Disabled American Veterans
- Jewish War Veterans of the United States
- Marine Corps League
- Military Order of the Purple Heart
- State Association of County Directors of Veterans' Affairs
- Veterans of Foreign Wars of the United States
- Veterans of World War I of the United States of America, Inc.
- Italian-American War Veterans of the United States, Inc.
- The Vietnam Veterans of America, Inc.
- American Ex-Prisoners of War
- Keystone Paralyzed Veterans' Association

Four members-at-large are appointed by the Governor from a list provided by the Adjutant General, each of whom is a veteran and a member (in good standing) of a Pennsylvania branch, post, lodge, chapter or club of a recognized national veterans' organization active in the Commonwealth. Annually, the commission elects a chairman and a vice-chairman at their first meeting after October 1. The DAG-VA serves as the executive secretary to the commission.

Members of the Commission receive no compensation for their services, but do receive reimbursement for the necessary (and proper) expenses for attendance at their meetings.

The commission meets on the call of the chairman or of the Adjutant General and nine members constitute a quorum. Upon the recommendation of the Adjutant General, the Governor declares a vacancy to exist whenever any member at large fails to attend three consecutive meetings without good cause. Any selection to fill a declared vacancy serves only the un-expired portion of the term. The commission advises the Adjutant General and DMVA on all matters pertaining

to the status, welfare, benefits, employment and support of veterans and veterans' programs in the Commonwealth and performs other functions as provided by law.

The commission has the following powers and duties:

- Advise the Adjutant General on such matters as the Adjutant General may bring before the Commission.
- Investigate the work of the Department of Military and Veterans Affairs and make recommendations to the department regarding the department's administration of the laws, providing for the payment of pensions and relief, for the marking of graves of veterans and for the selection, acquisition and maintenance of the state military cemeteries.
- Investigate and recommend to the Governor legislation for submission to the General Assembly concerning veterans and their activities.
- Oversee the veterans' emergency assistance payments under Chapter 85 § 51 Pa.C.S.
- Certify educational gratuity payments for eligible children under Chapter 87 § 51 Pa.C.S.
- Determine eligibility of veteran applicants for real property tax exemptions under Chapter 89, § 51 Pa.C.S.
- Promulgate rules and regulations governing all actions of the Commission under (4), (5) and (6) above.

Analysis

The membership of the State Veterans' Commission is restricted to members of the veterans organizations enumerated in Title 51 Pa.C.S. There are several problems with this requirement for staffing of the State Veterans Commission. First, the vast majority of veterans do not belong to veteran membership organizations. According to some estimates, as many as eighty-five percent of veterans do not hold membership in any veterans service organization and are therefore ineligible to serve on the State Veterans Commission. Second, all veterans organizations are not equal. The American Legion claims 198,793 members (veterans, family and auxiliary members) in Pennsylvania alone while Veterans of World War I of the United States, Inc. claims a total of 36 members nationally. Both the State Commander of the American Legion and the head of the Veterans of World War I in Pennsylvania are entitled to a seat on the commission. Third, younger veterans -- those still possessing the energy and health necessary to invigorate the commission -- are not represented at all. The youngest veteran organization authorized on the State Veterans' Commission is the Vietnam Veterans' of America -- a conflict that ended thirty-one years ago. This combined with the lower participation rate of younger veterans in veterans' organizations, works to exclude younger (less than 60 years old) veterans from the Commission.

Recommendation

Change Title 51 Pa.C.S. to permit service on the State Veterans' Commission to any honorable discharged veteran.

2. Veterans' Homes Advisory Councils

Current Situation

Title 51 Pa.C.S. establishes an advisory council for each veterans' home operated by the Commonwealth. Each advisory council consists of 11 members and the Adjutant General, who serves ex officio. 8 of the members of each council are appointed by the Governor from a list of nominations submitted to the Adjutant General by the Pennsylvania War Veterans' Council.

The Speaker of the House of Representatives and the President pro tempore of the Senate each appoint one member from their respective bodies to serve on each advisory council. The residents of the veterans' home select the remaining member of the council.

Each member appointed by the General Assembly serves only for the duration of the appointing General Assembly, and the eight members appointed by the Governor serve a term of three years. These terms are staggered with three members serving for one year, three members serving for two years, and two members for three years as designated by the Governor. Annually, each council elects a president, vice-president and secretary.

- The members appointed by the Governor may be removed by the Governor for cause.
- Six members of the council constitute a quorum for the purpose of conducting the business of the council. Each advisory council meets at least one time each quarter and at other times as called by the president.
- Members of the advisory councils receive no compensation for their services but do receive reimbursement for their necessary and proper expenses for attendance at the meetings.
- Each veterans' home advisory council advises the Adjutant General as to the management, operation and the adequacy of facilities and services at their respective home.

Analysis

Eight of the eleven members of each Veterans' Home Advisory Council are appointed from a list of nominations submitted by the Pennsylvania War Veterans' Council. Since the War Veterans Council consists entirely of leaders of veterans' membership organizations, it can be assumed that the nominees for appointment to the Veterans' Home Advisory Councils will come only from veterans organizations. As discussed previously in regard to the State Veterans Commission, this process disqualifies about 85 percent of otherwise qualified veterans from serving. Also, since participation in veterans' organizations has declined significantly in recent years -- especially by veterans of more recent service -- this practice results in the appointment of older veterans.

Recommendation

Change Title 51 Pa.C.S. to permit service on a Veterans' Home Advisory Council to any honorably discharged veteran.

3. War Veterans' Council

Current Situation

The following groups are represented on the PA War Veterans' Council:

- The American Legion
- Veterans of Foreign Wars of the United States
- Disabled American Veterans
- Blinded Veterans' Association
- Military Order of the Purple Heart
- American Ex Prisoners of War
- Jewish War Veterans of the United States
- The Retired Officers Association
- Society of the 28th Division
- AMVETS
- Forty and Eight
- Catholic War Veterans of the United States of America
- State Association of County Veteran Affairs Directors
- Marine Corps League Military Order of the Cooties
- The Vietnam Veterans of America, Inc.

According to the law, each Advisory Council of the State Veterans' Homes will have 15 members with 12 appointed by the governor from a list of nominations submitted by the Adjutant General from the Pennsylvania War Veterans' Council.

Analysis

The membership of the Pennsylvania War Veterans' Council is restricted to members of the veterans organizations identified above. As with the State Veterans' Commission, there are several problems with this requirement for staffing of the War Veterans' Council. Several of the membership organizations have declined as viable entities. The organization Forty and Eight, like Veterans of World War I of the United States, Inc., is an organization of World War I veterans. Younger veterans -- those who served after the War in Korea, participate in veterans organizations at a much lower rate than their World War II predecessors. For example, of the 2.7 million American service men and women who served in Vietnam, nationally only about 45,000 are members of the Vietnam Veterans of America,

Recommendation

Permit service on the War Veterans' Council to any honorably discharged veteran.

4. County Directors of Veterans' Affairs

Current Situation

The County Code authorizes and directs the county commissioners of each county, at the expense of the County, to appoint a director of veterans' affairs. The County Director of Veterans' Affairs is to assist the County Commissioners in administering the provisions of the County Code, as it relates to veterans, and to assist veterans and their families in securing their rights under any state or federal veterans' benefit law.

The mission statement, as prepared and approved by the membership of the "Pennsylvania State Association of County Directors of Veterans' Affairs" (PSACDVA) states the role of the County Directors of Veterans' Affairs as:

- To provide quality advocacy for all US Veterans, Armed Forces members, their dependent survivors, through benefit counseling and programs, claims and outreach services.
- To reach out to all Veterans' Organizations, and veterans through traditional public relations, community involvement, and by initiation and implementation of activities that encourage them to access their rightfully earned entitlements and benefits.
- To respond to the needs of all Veterans, armed forces members, their dependents and survivors, and to provide linkages for them to other support services.
- Job descriptions of the County Directors of Veterans' Affairs have been agreed upon by the PSACDVA and appropriate county officials and have been published. An abbreviated extract of this agreement follows:
 - Advise and assist veterans or their beneficiaries in presenting claims for benefits under Federal, State or local laws.
 - Conduct telephonic communication with the USDVA, other government agencies, National Headquarters and Department Service Officers.
 - Conduct telephone communication and/or written correspondence with various Federal, State, County and City Government agencies concerning problems or questions on behalf of veterans or their beneficiaries.
 - Submit USDVA claims to the appropriate USDVA Regional Office. Other claims are submitted to the government agencies involved.
 - Have complete working knowledge of USDVA requirements concerning the processing of claims for all types of veterans' benefits. Must be able to develop a knowledge, where required, to process claims for other government benefits. These benefits include:

- Compensation
- Pensions
- Special Service-Connected Disabilities
- Medical
- Education
- Life Insurance
- Death Benefits
- GI Loans
- Records

-- Have a complete working knowledge of other agencies' veterans' benefits. Veteran service officer must be able to develop knowledge to process claims within the following areas:

- Social Security (SSI)
- Vet State Loans
- County Assessor
- SDI (Job Disability)
- Employment Development Department (Jobs for Veterans)
- SBA (business loans)

-- Must be familiar with the Freedom of Information and Privacy Acts, and USDVA regulations concerning the release of claims information.

Regarding claims processing, the following standards have been established:

Quality: Claims should be processed in accordance with instructions.

Timeliness: Claims and all supporting documents should be prepared and submitted to the appropriate office within 10 working days of receipt of claim. This applies unless the claim is submitted 2 days prior to the end of the month, then the claim shall be processed and date stamped by the Veteran Service Officer.

Confidentiality: Be aware of the confidentiality requirements of the position. Information assistance should be appropriate to the needs of the receiving party as well as within the interests of the claimant while maintaining the claimant's privacy.

Public Contact: Contact with the public, other organizations, and officials at various levels of management must reflect communication skills, tact, and patience.

All applicants applying for USDVA Accreditation, as a Veterans' Service Officer, must meet the following requirements:

-- The applicant must have a minimum of three to five years of verifiable experience working as a representative of another veterans' organization or with a County Veterans' Service Agency as a Veterans' Service Officer.

- Applicant must have a letter of recommendation from the State Commander of the veterans' organization or from the Director of the County Veterans' Service Agency.
- Applicant must submit a complete resume for ten years of employment history and should detail all involvement with other veterans' organizations.
- Applicant must have been a member in good standing of [sic] for a minimum of two years.
- Applicant must successfully complete the veterans' service officer test before being submitted for Accreditation as a Veterans' Service Officer.

Analysis

The County Directors work for their County Commissioners and are outside the control of either the Department of Military and Veterans Affairs or the Bureau for Veterans Affairs. At State Veterans' Commission meetings, War Veterans' Council meetings, and literally during scores of interviews, the single most frequently raised issue is the role of the County Directors.

The four most frequently raised issues relating to County Directors concerned their qualifications, duties, supervision, and proximity to veterans:

Qualifications: There is a perception that some County Directors lack the training to serve effectively. We found that 54 of 67 County Directors are USDVA accredited, and 4 are currently pending their accreditation. Additionally there are 9 Assistant County Directors who hold USDVA accreditation.

Duties: Some County Directors are assigned unrelated duties that limit the time they have to support veterans in their county.

Control: The County Directors don't report to and are not supervised by the Department of Military and Veterans Affairs.

Proximity to veterans: There is one County Director per County regardless of the number of veterans to be served. Several of the larger counties provide additional staff at no cost to the Commonwealth to support the County Director.

Programmatic Findings

Many of the County Directors appeared to the study team equally as capable and competent as the state employees, veteran service organization employees, and VSO members who were interviewed. It is also observed that a number of the County Directors do in fact have other duties assigned by their County Commissioners and that veterans-related activities may be a minority activity for them. Nevertheless, it is safe to assume that the County Directors are well serving their employer – the County Commissioners.

Although some performance standards are described for the County Directors, without supervision by the DMVA, it was not clear when, if or how these standards are enforced or by whom.

The study team believes the larger issue -- the stated purpose of this study -- is to address a broad range of options on how best to organize, fund, staff and operate veterans' programs to provide the best possible services to Pennsylvania's veterans and their families in the most cost-effective and efficient manner. Simply stated, the reliance on County Directors of Veterans' Affairs is neither cost-effective nor efficient. It is however, from the Commonwealth's perspective, cheap.

The County Director position was created as an unfunded mandate in the County Code. In all 67 Pennsylvania counties, the County Director of Veterans' Affairs is considered to be a non-civil service, public appointed position. The Directors of each county are appointed by a majority agreement of the County Commissioners and they serve in an exempt, at-will status. The County assigns their duties and pays them. By shifting this responsibility to the Counties, the Commonwealth avoids the expense of State employees and gives up its ability to manage the process.

Whatever the original reasons may have been for creating these positions in the County Code, the study team agrees with the basic observation that this organization is not the most effective or efficient system for serving Pennsylvania's veterans. It does however, work well in some areas -- especially when the workload roughly equates to the available staff. Given what we know today about the delivery of veterans' services in the Commonwealth, it is hard to imagine a less effective system.

A simple example will illustrate the fundamental flaw in the County Director system's design. The seven least populous counties in Pennsylvania, (Forest, Cameron, Sullivan, Fulton, Montour, Potter and Juniata), have a combined population of approximately 91,000 residents, of which, about 9,300 are veterans. Seven County Directors of Veterans' Affairs service this veteran population -- one County Director for each 1,329 veterans. Allegheny County with 123,000 veterans, Philadelphia with 103,000 veterans and Montgomery County with 64,000 veterans -- as in every county in the State -- are each served by a single County Director for Veterans' Affairs. The obvious conclusion is that staff positions to support veterans should be located where the veterans live. The current system can never be adjusted to meet this fundamental requirement.

Policy Options:

It is the recommendation of this report that all veterans' programs administered within the Commonwealth be managed by a single organization. To achieve such control, the General Assembly could amend the County Code or other appropriate legislation to provide *functional supervision* but not administrative control of the County Directors. This functional supervision would not include hire/fire authority or other punitive authority, but give the State's Veterans' Organization (Bureau or Separate Department) the ability to establish and enforce standards, minimum appointment criteria, and require submission of reports and other requirements.

In spite of the problems identified, this report does not recommend either abolishing the requirement or converting the County Directors to state employees. Such a move would transfer the cost to the State and still not address the challenge of geography. Should the General Assembly create a Department for Veterans Affairs, the study team recommends that the Department conduct a more thorough examination of the role of County Directors and make recommendations at that time to the General Assembly.

5. Governors' Veterans' Outreach and Assistance Center

Current Situation

The Governor's Veterans' Outreach and Assistance Center (GVOAC) program was established in 1980 and designed to establish a link between the individual veteran who requires assistance and the public/private organization that is able to deliver the assistance. Major activities of the GVOAC include, but are not limited to, outreach, assessment, guidance, document preparation assistance, public information concerning veterans' benefits, referral to employment and training for employment services, and any necessary supportive services. The GVOACs are in continuous contact with the Pennsylvania "Career-Link" system (Job Centers), DMVA, the US Department of Labor for VETS, and other community based veteran organizations.

In the past, the then-five separate GVOACs were funded through the Federal Job Training Partnership Act (JPA) and/or state Penalty and Interest Funds," or through the US Department of Labor Title 7B "Wagner-Peyser Employment and Training Funds." Presently, the GVOACs are funded solely by the US Department of Labor Title 7B "Wagner-Peyser" monies; however, due to their incorporated status, the GVOACs have access to other federal grant funding as well as several state, county and community entities.

There are currently seven GVOACs strategically located throughout Pennsylvania, each with a specific Commonwealth "region" of responsibility. They are located and "sponsored" by:

REGION 1: Greensburg GVOAC at 600 Rugh St., Greensburg servicing southwestern Pennsylvania, sponsored by the Marine Corps League of Pennsylvania, Inc.

REGION 2: Boyertown GVOAC at 121 N Reading Ave, Boyertown servicing southeastern Pennsylvania. The American Legion (TAL) of Pennsylvania originally sponsored Boyertown GVOAC, but it presently has no sponsor.

REGION 3: Erie GVOAC at 15 E 12th St., Erie servicing northwestern Pennsylvania, sponsored by the Disabled American Veterans of Pennsylvania.

REGION 4: West Pittston GVOAC at 341 Wyoming Ave, West Pittston servicing northeastern Pennsylvania, sponsored by the Catholic War Veterans of Pennsylvania.

REGION 5: Harrisburg GVOAC at 3525 N 6th St., Harrisburg, servicing central Pennsylvania, sponsored by the Veterans of Foreign Wars of Pennsylvania. {Note: Harrisburg GVOAC covers the largest land area of all the GVOACs.}

REGION 6: Philadelphia GVOAC at 213-217 N 4th St., Philadelphia, servicing Philadelphia County, self-sponsored. {Note: Philadelphia GVOAC is collocated and operates as a primary part of the Philadelphia Multi-Service and Education Center.}

REGION 7: The Veterans' Leadership Program GVOAC at 2417 E Carson St., Pittsburg, servicing Allegheny County, self-sponsored. {Note VLP GVOAC is collocated and operating as a primary part of the Veterans' Leadership Program of Western Pennsylvania.}

The Philadelphia Veterans' Multi-Service & Education Center, located in downtown Philadelphia, is designed to serve the veterans of Philadelphia as these veterans try to mainstream into society through long-term employment. Programs operated by the PVMS&E Center are designed to help those veterans who experience war related (or other similar) problems, like: PTSD, Agent Orange, Combat Wounds, Drug and Alcohol Problems and other serious barriers to employment. This center also provides housing and food assistance to homeless and needy veterans and their families through interaction with the Philadelphia Food Bank and other community based organizations.

The Veterans' Leadership Program, formerly known as the Vietnam Veterans' Leadership Program of western Pennsylvania, provides job assistance and supportive services to the veterans' community of Allegheny County. Allegheny County has the largest veterans' census of any county in the Commonwealth. The VLP conducts career search, and when possible, job placement assistance, and in collaboration with other private businesses, public entities and learning institutions, coordinates skills training assistance. The VLP also provides referrals for emergency housing, food and other necessary services to homeless and needy veterans and their families.

The GVOAC Program functions as a contracted service provider. The Veterans' Services Coordination Section of the Pennsylvania Department of Labor and Industry maintains functional supervision authority and limited administrative responsibilities.

Analysis

Each GVOAC provides and operates an outreach and assistance program within the areas of responsibility assigned to them. However, this Department of Labor and Industry Program does not coordinate its activities with the Bureau for Veterans Affairs. Additionally, GVOAC personnel are contract employees under grant (Wagner-Peyser, as amended) and cannot be accredited as Veterans Service Officers. Their original role was counseling, rehabilitation, and job placement.

Mission creep has occurred, with good intentions, and partly as a result of Bureau for Veterans Affairs staffing shortfalls, to include providing information, referral and assistance to veterans, their families and survivors on federal, state and community programs to which they may have eligibility or entitlement to benefits or services.

The funding for the five GVOAC Centers for the current fiscal year remains \$758,601 as it has for more than ten years. This stagnation has presented administrative problems, including the freezing of 14 staff salaries. These contract staff positions are not state employees and they receive no state benefits.

For the period of 1 July 2005 to 30 June 2006, Title 7B “Wagner-Peyser” funds were distributed as follows:

Harrisburg	GVOAC, \$159,774
West Pittston	GVOAC, \$140,761
Greensburg	GVOAC, \$173,260
Boyetown	GVOAC, \$152,394
Erie	GVOAC, \$132,412
	TOTAL, \$758,601

Note: The following funds were also received through Title 7B “Wagner-Peyser” that are applicable to Philadelphia and VLP GVOACs:

Philadelphia VMS&E Center,	\$172,360
VLP of Western PA,	\$72,000
	TOTAL, \$244,360

An agreement signed in 1982 – 24 years ago – to move GVOAC from the Pennsylvania Department of Labor and Industry to DMVA was never implemented because of a reported dispute of the simultaneous transfer of funding to support the program. Today, it remains outside of the Department of Military and Veterans Affairs, with stagnant funding, and little or no coordination with other Commonwealth veterans’ programs.

Like many of the other programs designed to support Pennsylvania veterans, the funding necessary to keep pace with the mission requirements has not been provided.

Policy Options:

It is the recommendation of this report that all veterans’ programs administered within the Commonwealth be managed by a single organization. To achieve such control, an agreement could be reached to transfer the GVOAC to a new Veterans’ Affairs Department, if created, or the 24 year old agreement with DMVA could be implemented. It is anticipated that current federal funding provided to the Department of Labor and Industry would follow the move of the GVOAC to the new Department.

The status quo is providing significant benefit to Pennsylvania’s veterans. In fact, GVOACs were identified in several interviews as the “the guys who care.” But, as has been stated so often, there is so much more that could be done to utilize this valuable resource and to better serve our veteran population. Converting the GVOAC contract employees to State Employees would make them eligible for accreditation as Veterans Service Officers – an important step towards Pennsylvania’s veterans obtaining an equal share of federal benefits.

6. Veterans' Service Organizations

Current Situation

Outside of government, veteran service organizations (VSOs) provide benefits and services to veterans. The major VSOs are, for the most part, private non-profit membership organizations that assist veterans and represent their interest in governmental matters and before the general public. Members' dues fund most VSOs, and the wives and daughters of male members are eligible to join a ladies auxiliary attached to the organization. The largest VSOs have a national presence and are chartered by Congress which means they are federally chartered and/or recognized or approved by the VA Secretary for purposes of preparation, presentation, and prosecution of claims under laws administered by the VA. The most recognized VSOs are AMVETS, Disabled American Veterans, Paralyzed Veterans of America, The American Legion, and Veterans of Foreign Wars. Each organization has a structure of local offices throughout the country, including locations at VA regional offices and medical centers. VSO staffs frequently serve as official representatives of veterans in their claims before the VA.

VA has a long history of consulting with the VSOs on major issues. All these organizations are also an important source of volunteer manpower at VA medical centers. VSO volunteers contribute to the welfare of patients in many ways, including providing transportation to clinic appointments.

The three largest national organizations are the American Legion, the Veterans of Foreign Wars of the United States (VFW), and Disabled American Veterans (DAV). Disabled American veterans must have a service-connected disability to be eligible for membership. These are the only three VSOs with more than one million members, and all three have a strong commitment to providing disability claims assistance. The American Legion has 2.8 million members, with an additional 1 million auxiliary members. Veterans must have had at least one day of service during a period of conflict in order to be eligible for membership. The VFW has 1.9 million members and an additional 750,000 auxiliary members. Many veterans become members in multiple organizations.

Analysis

The VSOs have stepped in to fill the void when government has not provided the resources to assist veterans to understand, apply for, and obtain benefits. As the name implies, these organizations are serving the veteran community. Unfortunately, the VSOs must rely on membership dues to support and train their personnel to assist veterans to apply for and obtain the benefits to which they are entitled.

The VSOs should be commended for their support of our veterans.

IV. COMPARISON STATE STUDY

A. How Veterans' Benefits are Administered in Other States

Purpose

A review and analysis of other states' veterans' systems was included under the scope of work for this engagement as outlined in the project's objectives. More specifically, a direct comparison was needed of DMVA and BVA's present system of veterans' programs with those systems present in at least five other states to determine the extent to which BVA's system offers a range of services comparable to others, with respect to efficiency and cost effectiveness.

The goal of this comparison state study is to: (a) ascertain the directions that other states' organizational structures are moving; (b) identify effective, unique programs and/or services in other states; and, (c) from the analysis of comparative state information, recommend programs, services, and/or organizational strategies to the LB&FC for integration into the present veteran program operations to enhance the efficiency and cost effectiveness of veterans' services.

Methodology

To produce this review and analysis of comparative state veterans' organizational systems, Defense Solutions first determined several states that might be of interest to cover within this study, due to their organizational structures, notable programs and services, and/or similar geographic challenges and demographic constitution. An in-depth discussion about this topic led to the development of a list of six primary states to include in the comparative state study: Ohio, West Virginia, New York, Florida, Texas, and North Carolina. After these states were analyzed for comparison purposes and initial findings were studied, it was decided to re-examine all the states again to find one that may have recently experienced the types of challenges currently found in Pennsylvania and add any valuable lessons-learned in the overall analysis. Virginia was deemed to fit this category and is therefore discussed below.

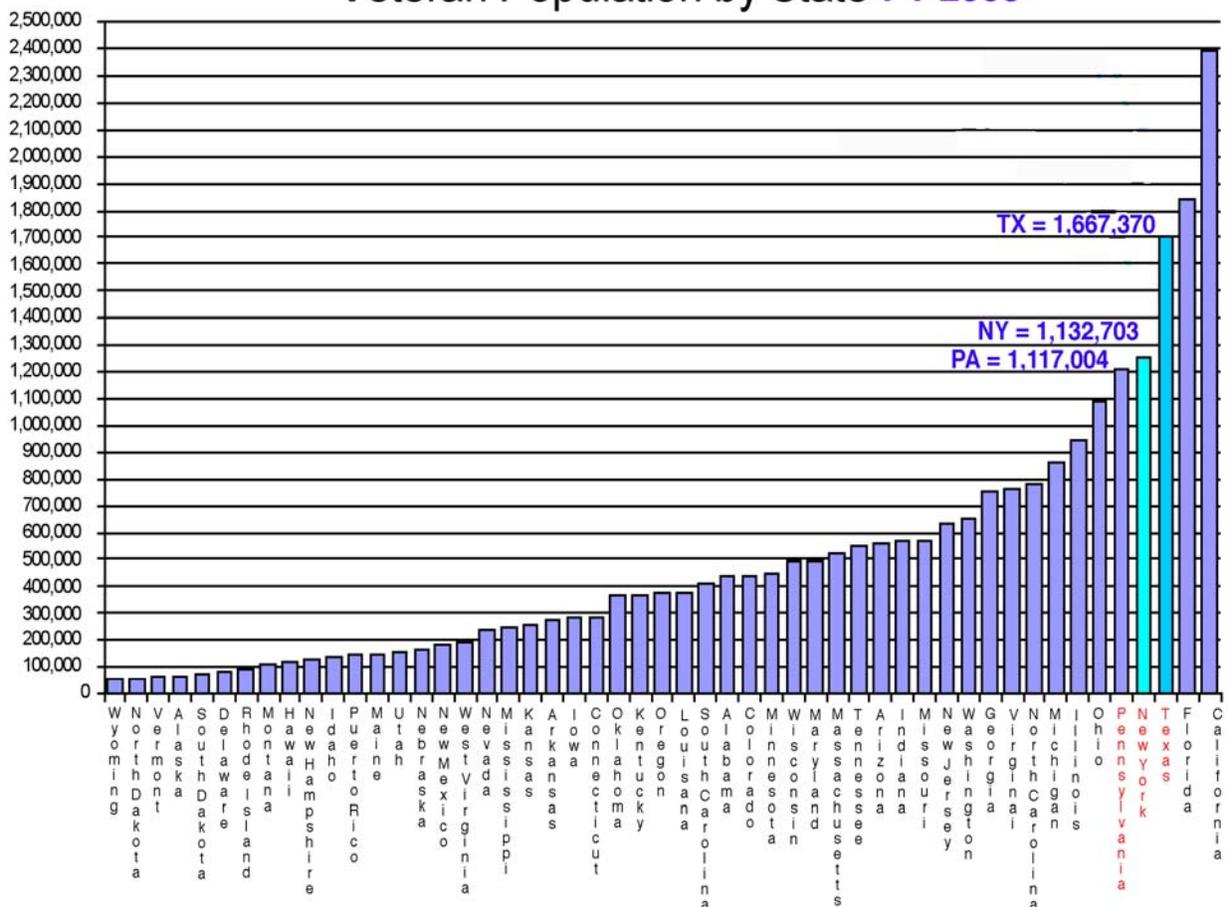
The information on how other states administer benefits to their veterans was collected by various means to include review of state websites, telephone calls with the individual state directors and current and former commissioners, and discussions with the National Association of State Directors of Veterans' Affairs.

VETERAN POPULATION BY STATE FY 2005 PROJECTED THROUGH FY 2010

State	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Pennsylvania						
Living						
Veterans	1,117,004	1,088,220	1,058,615	1,028,911	999,450	970,726
Separations	9,194	9,070	7,876	7,296	6,968	7,034
Deaths	37,138	36,946	36,637	36,214	35,688	35,070
Migrations	-971	-908	-844	-787	-740	-688
Change	-28,915	-28,784	-29,605	-29,705	-29,460	-28,724
Florida						
Living						
Veterans	1,768,359	1,747,076	1,722,691	1,696,614	1,669,553	1,642,404
Separations	18,048	17,830	15,436	14,212	13,545	13,596
Deaths	59,441	59,727	59,818	59,717	59,437	58,994
Migrations	21,256	20,615	19,996	19,428	18,831	18,248
Change	-20,137	-21,282	-24,386	-26,077	-27,061	-27,149
New York						
Living						
Veterans	1,132,703	1,094,391	1,055,882	1,017,939	980,908	945,276
Separations	10,042	9,905	8,595	7,954	7,596	7,662
Deaths	38,188	37,614	36,941	36,178	35,337	34,431
Migrations	-11,051	-10,603	-10,164	-9,719	-9,290	-8,864
Change	-39,197	-38,312	-38,509	-37,942	-37,031	-35,632
North Carolina						
Living						
Veterans	761,894	756,216	748,758	740,329	731,309	722,208
Separations	10,841	10,691	9,255	8,532	8,133	8,183
Deaths	18,649	18,890	19,077	19,211	19,293	19,328
Migrations	2,653	2,520	2,363	2,250	2,141	2,044
Change	-5,156	-5,678	-7,458	-8,429	-9,019	-9,101
Texas						
Living						
Veterans	1,667,370	1,652,214	1,633,507	1,612,932	1,591,299	1,569,737
Separations	24,309	24,002	20,812	19,223	18,335	18,466
Deaths	40,838	41,084	41,227	41,270	41,220	41,087
Migrations	2,150	1,926	1,709	1,472	1,251	1,059
Change	-14,379	-15,156	-18,707	-20,575	-21,633	-21,562

Source: <http://www.va.gov/vetdata/demographics/index.htm>

Veteran Population by State FY 2005

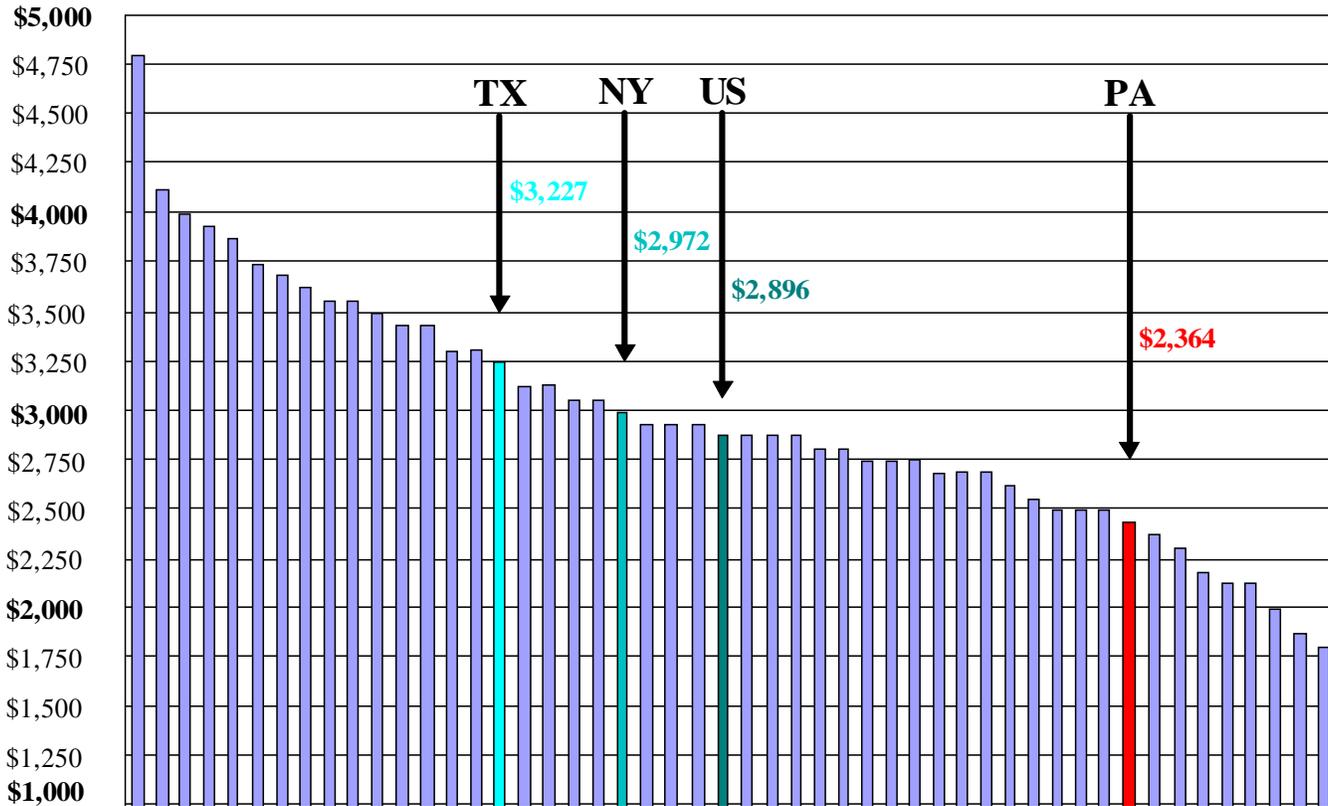


Besides Texas, Florida, and New York, only the state of California has a larger veteran population than Pennsylvania. North Carolina and Virginia veteran populations are comparable at 756,216 and 737,600 respectively. Comparisons were made between various state allocations of funding from USDVA relative to veteran populations as well, particularly regarding compensation and pensions.

A wide array of state structures exists to serve veterans across the county. These are shown on the table below. Half are Department Equivalents, while 12 states couple the Military and Veterans’ departments, like Pennsylvania, while 11, including Texas and Ohio, are part of their respective Governor’s offices. The states examined the most closely for this analysis are shaded.

State Veterans Affairs System Survey 2006			
Primary Source:	www.nasdva.com	w/ state links	
Secondary Source:	www.va.gov	state links	
Tertiary Sources:	NYS POA Study (indicated by *), NACVSO (indicated by @)		
State	SDVA	Chief's Title	Vet Commission
Alabama	x	State Service Comm'r	Board (16)
Alaska	* DMVA	Commander AG	
Arizona	x	Dir	Commission (10)
Arkansas	x	Dir	Commission (15)
California	x	Secretary	Board (7)
Colorado	* DMVA	Director	
Connecticut	x	Commissioner (Mil)	Board (16)
Delaware	Commission (15 vets)	Executive Director	
Florida	x	Exec Dir	Commission(8)
Georgia	x Dept.of Veterans Services	Commissioner	Vet Svc Board (7)
Hawaii	* DoD Office	Dir	Board (7)
Idaho	x Division of Vet Services	Administrator	Commission(5)
Illinois	x	Dir	
Indiana	x	Dir	
Iowa	Commission	Dir	Commission (5)
Kansas	Commission	Dir	Commission (5)
Kentucky	x	Commissioner (Dir)	G's Advisory Board (9)
Louisiana	x	Secretary (Military)	Commission (9)
Maine	* DMVA Bureau of Vet Svcs	Dir	
Maryland	x	Sec	Commission (30)
Massachusetts	x	Sec	
Michigan	* DMVA VA Directorate	Deputy Dir (Asst AG)	
Minnesota	x	Comm'r	
Mississippi	VA Board	Exec Dir	Board (7)
Missouri	Veterans Commission	Exec Dir	Commission (5)
Montana	* DMA VA Division	Admin'r	Commission(20)
Nebraska	x	Exec Dir	Commission (5)
Nevada	Office of Vet Services	Exec Dir	
New Hampshire	State Veterans Council	Dir	Council (8)
New Jersey	* DMVA Office	Dep Comm'r AG	
New Mexico	Vet Services Commission	Dir	Commission (5)
New York	x Div of Vet Affairs	Dir	Commission
North Carolina	/ DOA Div of VA	Asst Sec	Commission(12)
North Dakota	x	Comm'r	Admin Commit'(18)
Ohio	Governor's Office of VA	Dir	Advis' Commit' (19)
Oklahoma	x	Dir	War Vet Comm'n (9)
Oregon	x	Dir	Advis' Commit'(9)
Pennsylvania	* DMVA Vet Affairs Bureau	Dep AG	SVC (24)
Rhode Island	/ DOHS, Div of VA	Assoc. Dir	
South Carolina	Office of Veteran Affairs	Dir	
South Dakota	* DMVA Div of VA	Dir	SVC(6)
Tennessee	x	Comm'r	
Texas	Texas Vet Commission	Exec Dir	Commission (5)
Utah	* NGB, Div of VA	Dir	Advisory Council (12)
Vermont	* DMA Office of VA	Coord	Advisory Council (16)
Virginia	x Department of Vet Services	Comm'r	Board VS (16)
Washington	x	Dir	
West Virginia	x Division of VA	Dir	Vet Council (9)
Wisconsin	x	Sec	Board of VA (7)
Wyoming	* DM Veterans Commission	Dir	Commission (12)
Washington, DC	x	Dir	
Legends and Comments:			
	x = Dept equivalent: 25	Civilian: 44	
	* = w/ Military dept.: 12	Military: 6	
	/ = w/ Other dept.: 2		
	= Gov's Office: 11		
	Total: 50		

FY 2005, Total Expenditures Per Veteran Per State



NOTE: Estimates as of September 30, 2005 – Source: VA FY 2005 GDX Report

The GDX (Geographic Distribution of VA Expenditures) is an annual report prepared by the US Department of Veterans Affairs that shows estimated VA expenditures for major programmatic areas by geographic area (state, county, and congressional district). The major programmatic areas are: Compensation and Pension; Readjustment (Education) and Vocational Rehabilitation; Insurance; Construction; and, Medical and Administrative. The GDX also shows the estimated veteran population for each state, county, and congressional district.

In FY 2005, total US Department of Veterans’ Affairs expenditures averaged \$2,896 per veteran nationwide. Pennsylvania’s 1.12 million veterans averaged only \$2,364 per veteran, meaning that \$532 less was spent on federal veterans’ programs in the Commonwealth than was spent on average nationally. Only eight states received a lower per veteran expenditure. If Pennsylvania were to raise its receipt of federal funding up to the national average, it would receive an

additional \$594.3 million dollars worth of federal funds, and Pennsylvania would experience an additional \$1.367 billion dollars in economic activity a year.⁴

This point is worth repeating. If Pennsylvania were to invest sufficient resources to bring federal spending for veterans' programs up to the national average, it could produce nearly \$1.4 billion in economic activity in the Commonwealth every year. With 1.67 million veterans – and significantly more claims officers than Pennsylvania – Texas averaged \$3,227 per veteran in federal funding in 2005, an average of \$863 more per veteran than Pennsylvania received. If Pennsylvania were to receive what veterans and veterans' programs in Texas receive, it would total more than \$964 million in direct federal funds and \$2.22 billion in economic activity.

The discrepancy in veterans' funding is real and cannot be attributed to geographical or other environmental discrepancies. For example, New York has virtually the same number of veterans as Pennsylvania – 1.13 million compared to 1.12 million. Yet last year, according to the US Department of Veterans' Affairs, New York received \$725.6 million dollars more from the USDVA than did Pennsylvania. In fact, New York received more federal dollars in every category as shown below.

GEOGRAPHIC DISTRIBUTION OF VA EXPENDITURES FOR FY 2005
Expenditures in \$000

STATE	Veteran Population*	Total Expenditures	Compensation & Pension	Education & Voc Rehab	Insurance & Indemnities	Construction	Medical & GOE
New York	1,132,703	3,365,992	1,211,440	151,405	117,364	15,456	1,870,328
Pennsylvania	1,117,004	2,640,348	1,099,113	73,050	93,452	9,491	1,365,242

1. Overarching Findings and Implications

On the basis of extensive research, it is apparent that states divide responsibilities for veteran homes, cemeteries, and benefits counseling differently. Certain patterns and concepts emerged for successful state programs. Based on the data, both total expenditures per veteran and the participation (utilization) by veterans in their compensation and pension entitlements, West Virginia, Texas and North Carolina have the strongest programs, since they exceed the national averages. Florida has done very well in most aspects of its programs. While West Virginia is a relatively small state, and its economic situation cannot be excluded as a major factor, it has a good system worth examining. North Carolina probably has the most thorough training system of this group. Texas' veterans' affairs system serves as a model for other states.

Virginia, meanwhile, emerges as a state that is both doing well and has transitioned from a disparate statewide veterans' program into a solid structure with strong advocacy and a clear strategic vision for its future. It is noteworthy that despite having significantly smaller veteran

1. Based on an estimated statewide economic multiplier effect of 2.38. Source Econsult Corporations (2006).

populations than Pennsylvania - Georgia, Virginia, and North Carolina each had USDVA compensation and pensions comparable to Pennsylvania during 2005 (and estimated for 2006-2007), with NC actually exceeding PA (\$1.3M versus \$1.1M). [Source: <http://www.va.gov/budget/summary/1514Chapter6.pdf>]

Certain themes for a successful compensation and pension services program emerged during this Study and they are discussed below.

2. Successful Organizational Structures

The most successful states have separated their veterans' affairs organization from their military departments to gain focus; while having a close military and veteran affairs relationship is important on many levels, having top leadership and an advocacy group whose sole focus is veterans' affairs pays dividends by all accounts and appears to adequately compensate for short-term impacts felt by the loss of shared resources. Other successful state models include:

- The state assumes administrative responsibility for the training, supervision and coordination of county-level service officers.
- The state has an active, large, visible state-employed veterans' service officer presence in field locations in addition to a group at the Regional Office that also acts as an appeals division. These field locations are assigned county service offices for which they are responsible.

USDVA Interaction

Positive, frequent, and meaningful interaction with USDVA appears to be very important to overall success. The USDVA system does not treat all states equally in terms of shared facilities and resources. A clear picture has emerged of cooperating regions, states, or individuals working together with the end result being more benefits (resources) to some states than others. Some states take more proactive roles than others. Some specific examples include:

- The state actively engages USDVA and participates in pilot projects for expediting claims processing.
- The state actively uses USDVA facilities when feasible and accessible to reduce its cost of operations.
- The USDVA out-bases in VHA facilities, military installations, and service mini-centers to increase front-end service. This is important, because no matter how well run the state program is, the USDVA will always be the predominate partner, because it has vaster resources at its disposal.

Training

Some of the best state practices for ensuring a professional, highly-motivated, competent advocacy force exists include:

- There are formal training requirements for county and state employees. The training is ongoing, modularized, monitored, and reimbursed to the fullest extent possible.
- Accreditation is a requirement for state-level service officers and increasingly required for county-level officers.
- The state does not depend totally upon the veterans' organizations to provide accreditation training of Veterans Service Officers, rather it takes a proactive approach.

Management and Reports

One of the most important factors we've found in terms of success for veterans within certain states is that the state takes on the role of chief advocate for the veterans of its state. This may seem intuitively obvious, but there is a wide disparity even among well-meaning advocates in various states. Much of the success appears to rely on which people are advocates and what their priorities are relative to other responsibilities they have. Having leaders or commission members who are "wired-in" or versatile in various Federal and State budgeting processes is important. Other important success benchmarks include:

- The state has a written, accessible, clear and understandable Strategic Plan for its Veteran's Department (or Commission). These plans must be well written, comprehensive, and in-line with the state's governmental vision, mission, and goal set. These strategic plans work well from a budget perspective when they are measured against the annual budgets to highlight gaps, and then the gap areas are assigned to a champion or advocate (preferably one with legislative and budgetary insight).
- The state adopts a performance measurement system and performance reports are published for review. Together with a computer information management system, this allows better deployment of limited assets to meet the needs of the veterans. This allows state-level workforces to be positioned and moved according to formal methods of management analysis. If, for example, the workload in an area changes according to aging and migration of the veteran population, then the state workforce is prepared to react to this change by instituting flexibility.
- The state institutes a claims processing and tracking system. This requires a sound management information system (not just hardware) and full integration into the DVA Benefits Delivery Network (BDN) at the point of service for the veteran. This complements USDVA recognition of its front-end manpower shortages; the USDVA has an ongoing initiative to out-base access to the system for the purpose of streamlining submissions and encouraging veterans' service organizations to take a larger role in bringing cases to "ready to rate" status (the step prior to adjudication). It also allows for reviews of affected claims when laws change.
- Dual accreditation agreements with veterans' organizations are formally sought to ensure open channels of communication with the USDVA and veterans' organizations on the behalf of the veteran, no matter where the source of inquiry. The intention of this is not to "claim jump," but to keep the veteran informed while maintaining USDVA confidentiality requirements, to prevent duplication of effort, to assist veteran organizations when practicable, and to track progress.

-- State-developed claims are pipelined through state channels. The best of the sampled states seem to have moved or to be moving in this direction. This expedites the process and enhances communication (related to the dual accreditation issue). It also enhances morale, professionalism and the proper recognition of the service officer at point of service. According to interviews, it is not uncommon for a county agency to develop a claim and forward it to a veteran organization for power of attorney purposes and then later find itself locked out of the loop by both veterans' organization and the USDVA, although it is still working on the veteran's behalf.

-- The state maintains good relations with veterans' organizations and their Veterans Service Officers. This is a critical aspect of all the most successful programs. The USDVA and states alone cannot totally fill the void in personal service. Furthermore, veterans' organizations are a vital ally and an important lobbying agent for change; when they are included in the state planning and decision support, success often occurs.

-- The state ensures that pay for accredited officers is competitive to promote retention. Experience is critical in this line of work. Furthermore, accredited officers are a shortage skill in the veterans' benefits services area. The competition is usually from the USDVA itself for the most highly-qualified and competent individuals since its pay is normally higher.

Awareness

Another factor common to the most successful states is that they promote awareness through county organizations, web sites, media, and memoranda of understanding with other agencies and organizations that are responsible for veterans' other benefits. Like the success of any service or product, marketing and advertising is important to make the public aware of the needs and to help veterans notice what their benefits are and what they must do to get them. Materials that are confusing or limited, or websites that are difficult to navigate for important contact information or directions can be discouraging for many veterans. Finally, because so much success depends on resources, public and political advocacy is needed to ensure budgets are appropriate to match veteran needs; this is possible with aggressive awareness techniques.

What follows is a state-by-state breakdown of some of the elements of importance to this analysis based on research and analysis of a select number of states. For most of these states, specific areas examined include: Organization, USDVA Interaction, Training, Management and Reports; and Awareness. These are followed by comments.

a. Ohio

Organization

Ohio has a Governor's Office of Veterans' Affairs. It does not have a combined military and veterans' agency.

County offices (directors) for veterans' affairs are required by the state, like Pennsylvania. There are 88 veterans' affairs offices with about 144 service officers total. The number of county service officers depends upon the financial well-being of the community.

Ohio is the only state sampled that does not have its own state-level accredited service officers.

County service officers turn over Power of Attorney (POA) to a veterans' organization that has the veteran service officers at the USDVA Regional Office, as the state has no representatives at the USDVA Regional Office at Cleveland.

USDVA Interaction

Nothing special noted.

Training

The Commonwealth has a formal training program for those who are county Veterans Service Officers, with the number depending upon county's ability to pay. It requires county service officers to complete five credits of training a year. Their county supervisors must also complete three credits per year.

This training does not necessarily result in accreditation. Ohio uses an internal state certifying process and does not involve the USDVA except in assisting with the training.

Management and Reports

All requirements are specified by state statute.

The relinquishing of POA to veterans' organizations has sometimes caused problems in communications, since the VA and often the veterans' organization will not communicate except through the veterans' representative duly empowered by the POA. Consequently, county Veterans Service Officers are left out of the loop after preparing and forwarding the initial paperwork. Iowa, Indiana, and Michigan have all noted this problem when their officers are not accredited and the state does not have POA.

No annual reports were found.

Ohio does not track claims.

The system appears dependent more on goodwill than control.

Awareness

The Ohio Governor's Office of Veterans' Affairs web site, www.state.oh.us/gova/, provides a fair amount of information. State statutes can be found on the web site.

Comments

Veterans' Homes are the responsibility of another agency.

Republican gubernatorial candidate Ken Blackwell has recently sent a letter to all the primary veterans' service organizations in OH claiming that the current Department should be abolished and replaced with a cabinet level OH Department of Veterans' Affairs (ODVA) for increased visibility and better funding and advocacy. The current PA Governor also called for a cabinet level department in 2002.

b. West Virginia

Organization

WV has a Division of Veterans' Affairs and does somewhat the reverse of Ohio.

It does not use county level personnel at all and instead relies on 35 state employed, accredited service officers located in 16 field offices and at the USDVA Regional Office at Huntington to perform all the service officer tasks.

Two service officers man the Huntington office.

It also fields an office to the Pittsburgh Regional Office since it derives support for a few of its counties from this location. In addition, WV is also supported in a few counties by the Washington Regional Office.

USDVA Interaction

No special programs were noted, but West Virginia appears to have a close and cooperative relationship with the Huntington Regional Office and the USDVA also fields two service officers.

Training

USDVA conducts training of state employees twice a year and service officers are submitted to the USDVA for accreditation.

Management and Reports

This system seems to have the highest return per veteran.

WV has entered into an agreement with the veterans' organizations whereby their employees are dual accredited by the state and one or more of the veterans' organizations (except for the Paralyzed Veterans' Association and USDVA). This streamlines their process, improves their communications, and overcomes the problem identified earlier regarding OH.

Increasing the number of service officers from one to two has significantly improved performance.

This system emphasizes control of the process from cradle to grave for its state veterans.

It has a claims tracking system. All USDVA determinations are reviewed before final issue to the veteran. This procedure provides an excellent system quality control measure that saves time by reducing the number of appeals or suits that are filed later.

Awareness

The WV web site, www.nasdva.com/westvirginia.html/, has great room for improvement, however, this state also has the lowest Internet use in the country (~42% as of Feb 2005), therefore, other forms of awareness may be more important in this state.

Other

Veteran homes and orphans education are the responsibility of this state agency. The state is proactive in the educational area, having effectively extended the GI bill beyond the ten year limit with a \$1000/yr educational supplement. It was also noted that West Virginia has close to, if not the highest, educational expenditures per veteran population by a significant margin over most other states.

Comments

West Virginia is a small state and not a prosperous one -- on the extreme end of the scale. These two factors may have more influence on veterans' affairs than for other states. Veterans may be more likely to seek help in such an economically stressed state. Regardless, it appears that WV has the capability to handle its veteran situation fairly efficiently.

3. New York

Organization

New York has a Division of Veterans' Affairs under its Executive Office.

New York state law requires county offices and directors for those counties not wholly within a city. Otherwise they are called city service officers.

In reality, the state overlays a highly professional, accredited group of state employees (about 55, exclusive of assistants) distributed into 3 regions and then further into the counties, VAMCs, Regional Offices at Buffalo and New York, veterans' homes, and other necessary locations on either a permanent or itinerant basis (The itinerancy is partly the result of staffing reductions).

USDVA Interaction

The state has worked with the USDVA on a pilot project to bring cases to “rating ready status”. This involves greater access to the USDVA’s internal system and has expedited processing in the test case. The USDVA fields one known service officer.

Training

The state does not train or ensure the accreditation of the county officers, though most are supposedly accredited. That is left to the veteran organizations. The state trains its employees and submits them to the USDVA for accreditation.

Management and Reports

The Division instituted internal performance tracking between FY 2001-2002 and emphasizes its productivity. It has also moved to a concept of evaluating where the workloads are and redistributes efforts accordingly.

It has a claims tracking system that allows it to reevaluate claims as laws change.

NY’s system emphasizes advocacy (its officers located in the Regional Offices form an appeals division) and “linking veterans to benefits” while not adjudicating at the local level.

This system claims a 75% success rate in cases filed.

Retirements in NY are expected to create a near-term problem affecting a third of the work force and adding to a situation where there are already shortfalls in manpower.

New York publishes an annual report for public dissemination.

Awareness

The NY web site, www.veterans.state.ny.us, gives excellent veterans’ information.

Other

The NY system has an education bureau for certification of schools and for approving apprenticeship/OJT programs. It is not responsible for homes or cemeteries.

Comments

Executive Law 17 provides 50% funding reimbursement, within a fund ceiling, to cities and counties for veterans’ programs.

d. Florida

Organization

It has a Florida Department of Veterans' Affairs, created in 1987 by statute, approved by the voters for the sole purpose of being a veterans' advocate.

Florida has no requirement for counties to establish veterans' offices or to provide service officers. Nevertheless, this happens, and all are accredited by the organization in accordance with state statute: 133 service officers in 80 counties.

The state deploys its own professional, Veterans Service Officers with a heavy concentration of 12 officers to the St. Petersburg USDVA Regional Office and 34 others to the VAMCs and USDVA Outpatient Clinics (12 locations total).

USDVA Interaction

The USDVA actively out-bases itself in this state. There are at least two well-staffed mini-centers for benefits services, one in West Palm Beach, and the other in Orlando. The USDVA also situates itself in VAMC and USDVA Outpatient Clinics. Total effort estimated by the state is 12 to 18 USDVA veteran service officers in the "field."

The USDVA has instituted a "Separation Examination Program" for service members in conjunction with DoD at the Jacksonville and Pensacola Veterans' Service Centers. This is another "out-basing or outreach" initiative.

It has partnered with the USDVA with the PARD project that seems to be similar to New York's in nature: more access to the USDVA's BDN system and bring cases to "ready-to-rate" status for the USDVA. [PARD was the forerunner of TRIP.]

Training

No requirement for County Directors to be accredited exists, but Florida statute does require county service officers, when provided, to be "certified" and annually recertified. As stated, 133 are accredited. Training is conducted biannually, and the state trains its employees, and they are accredited.

Management and Reports

It has designed a "Veterans' Benefits on Line Tracking System" that enables it to keep track of submitted claims. When a law changes, the system has the ability to identify those claims previously denied and have them resubmitted.

Awareness

The FL web site, www.floridavets.org, is quite useful.

Other

It has picked up responsibility for homes in the recent past, that appears to be new in Florida, and more are planned.

Comments

Florida's system was created out of the concern that its veterans were not receiving the USDVA dollars they deserved and the state needed a USDVA "watch dog".

FL may benefit from a migrating retiree population that has had their claims already processed before they re-locate. However, it also realizes that veterans (especially older ones) are intimidated by the USDVA system and tend to shy away so as not to be a "bother."

e. Texas

Organization

Texas has the Texas Veterans' Commission (TVC) as a state level organization. It is more than what a typical commission is: it is their Division of Veterans' Affairs. Texas only requires those counties with more than 200,000 veterans to have county service officers. Nevertheless 220 out of 254 counties do have trained service officers. TVC continues to encourage them to take advanced courses for accreditation.

Equally important to TVC is that it fields a solid, motivated, skilled team of accredited state employees, assigning them to one of two regions and then further down to where the work is. 50 state veteran counselors are fielded in 29 locations including hospitals, outpatient clinics, military installations, and the USDVA Regional Offices (In total, it has 92 FTE employees). The county service officers are then aligned with these. Texas, like Pennsylvania, has two USDVA Regional Offices. Hence, its state regions parallel.

USDVA Interaction

It is highly organized and so closely works with the USDVA, that sometimes veterans mistake it for the USDVA's ombudsman. This is partly because the USDVA provides it office space and some equipment, free of charge, in 23 of its locations.

The USDVA has a number of out-bases in Texas (more than in the other sampled states), and also has deployed Separation Examination Program teams to the major military installations, of which Texas is fortunate to have many.

Training

Texas does assume responsibility for the biannual training of county service officers and reimburses that training. It uses training modules. County service officers are required to attend training once a year. The state runs formal training twice a year, and state service officers (counselors) are trained and accredited.

Management and Reports

It emphasizes advocacy beyond just forwarding paperwork. It sees the USDVA as a budget-driven entity that sometimes sacrifices the entitlements of veterans to cut costs. To wit (from the TX Strategic Plan):

Budget driven decisions by [the] USDVA have especially affected low-income elderly veterans. For example, veterans who are in receipt of pension annually complete an income questionnaire. To save cost and reduce claims processing, the USDVA has eliminated this requirement in many cases. Those veterans with significant medical expenses during the year, the norm for aged veterans, could have some of those expenses reimbursed by reporting them on the questionnaire. Many of those aged veterans can miss this opportunity for this reimbursement, because they will not complete the questionnaire. To help these veterans the TVC is contacting those veterans on our caseload and offering our assistance in reporting their medical expenses. Direct contact on this issue is only available to veterans on our caseload.⁵

As TVC sees it, when a veteran cannot receive care in a USDVA hospital or does not establish entitlement to USDVA compensation and pension, the burden is shifted to the state, county, and city.

TVC has a fully computerized claims tracking system and performs statistical analyses. Paperwork is only maintained on ongoing cases. Access to the USDVA's system seems to be routine.

It has fully developed management performance measures. It produces performance reports and "sunshines" its strategic plan.

TVC suffers from losing personnel to the USDVA because of the pay disparity and the proximity of state and USDVA offices. [USDVA employees are well paid.]

Texas uses a biennial budget system that has advantages for programming, but sometimes does not allow it to react quickly to changes in USDVA rules, procedures, and initiatives.

Awareness

It has recently been promoting an "Awareness" campaign to compensate for a perceived shortfall. In addition to using the media, under legislative direction the TVC entered into

4. Strategic Plan, 2003-2007, Texas Veterans Commission, 1 Jun 02, p. 20.

Memorandums of Understanding between various state agencies that provide other veterans' services like the Texas Workforce Commission, its labor department, to increase the available services and dissemination of information to the veterans.

Its web site, www.tvc.state.tx.us, is excellent; perhaps the best of them all. Brochures and directories can be obtained from it.

Other

It is not responsible for homes and cemeteries; the Texas Veteran Land Board has that responsibility.

Comments

According to the state director, Texas has been a model for other states. Its performance statistically is certainly very high.

The current system has a long history, but essentially was borne of frustration with the DVA. "Texas matters most." is the overarching, impelling principle.

The USDVA handles 62% of all the caseloads. This is consistent with the findings of the 2001 NSV. It has a 30% error rate, also consistent with information from the 2002 Veterans' Benefit Administration's Annual Report and other later data.

f. North Carolina

Organization

North Carolina has the Division of Veterans' Affairs that has been under the Department of Administration since 1977. Formerly, like Pennsylvania's system, it was part of the Department of Military and Veterans Affairs.

Counties are not required to provide veterans' services, but if they do, they must come under a state district office for the purposes of training, work review, and supervision. If they do not, the state district office will handle claims processing directly for the county. 91 out of 100 counties participate.

The state encourages all this with a \$2,000 stipend to each county if it provides a full or part-time veteran service officer. Some have more than one. .

North Carolina deploys 15 one-person district offices to which certain counties are assigned for administrative and jurisdictional authority. It mans the VA Regional Office with 10 accredited personnel. Consequently, it has at least 25 accredited veterans' service officer state employees.

The veterans' organizations are well represented at the Regional Offices, VAMC, Fort Bragg and Camp LeJeune with full or part-time personnel.

USDVA Interaction

The USDVA out-bases with Separation Examination Program offices at Fort Bragg and Camp LeJeune.

Training

Each county service officer, upon meeting the 1,000 hour FTE requirement, completion of the state training program of 22 to 24 training modules, achieving a score of at least 75%, and receiving his training coordinator's recommendation has his name forwarded to the USDVA for accreditation pursuant to 38 CFR 14.629. 80 are currently accredited. Additional assistants are becoming accredited. That will increase the total to about 105 in the near future. State service officers are trained and accredited.

The county employees, like the state employees, go on to take TRIP training that allows them access to the USDVA's BDN (Benefits Delivery Network) database system. The training certification allows them to use computers to streamline their claims processing and to monitor the progress of a claim. This reinforces the thought that North Carolina has a highly developed training program.

North Carolina's program was the best in getting county officers accredited. It has the highest number of verifiable, accredited officers of any of the states surveyed.

Management and Reports

The agency sees itself as supplementing and augmenting the efforts of others.

It uses and encourages county integration into the BDN network.

Like West Virginia, state-level accredited officers are dual accredited with the major veteran service organizations. It has formed a particularly close bond with the American Legion that helped to create this state system.

This state tracks claims and other statistical data for effectiveness and efficiency. Currently, it is developing procedures for improving claims submissions.

It is trying to get the counties to improve their claims preparations while not driving them to use alternative routes for submission. It prefers the pipelining to be done through the state.

It tends to emphasize using many immediate "informal claim" submissions. This allows a claim to be dated to the time the veteran first appears before a VSO. Since claims can take a considerable amount of time to properly prepare for rating, this is to the advantage of the claimant as it means more money when the case is finally settled.

Awareness

Its web site, www.doa.state.nc.us/doa/vets/va.htm, is average and not as well developed as Florida's and Texas'.

Other

It is responsible for state homes. Like Florida, there has been considerable nursing/domiciliary care building going on (DVA is the primary source of funding for these.). [Pennsylvania has recently completed its own expansion of veterans' homes.]

Comments

The division's origin is post-World War I when it became apparent that the veterans' organizations' requirements exceeded their capacity to meet the demands for assistance

As in the other states, the DAV and PVA go their own way (no dual accreditation agreements). They appear to work effectively on their own.

B. Virginia – a Benchmark

According to Virginia's Veterans' web site, prior to 2003 veterans' services in Virginia were fragmented among the former Department of Veterans' Affairs that operated the benefits and cemeteries programs; the Virginia Veterans' Care Center operated by a series of contractors; and the Department of Education that oversaw the activities of the State Approving Agency for Veterans' Education.

In 2003, these services were consolidated under one agency known as the Department of Veterans' Services (DVS). The Department of Veteran Services is organized into four service delivery branches – benefits, cemeteries, care centers, and veterans' education – and an administrative section. An integral component of the Department of Veterans' Services' team are the three "board-type" entities – the Boards of Veterans' Services, the Joint Leadership Council of Veterans' Service Organizations, and the Veterans' Services Foundation – that work collaboratively to support the effective delivery of services to Virginia's veterans. The Benefit Services section assists veterans of the armed forces and their dependents to obtain entitlement benefits from the US Department of Veterans' Affairs. In addition to the services offered at the section headquarters in Roanoke, Benefit Services operates 15 field offices throughout the Commonwealth.

Virginia's veterans' cemeteries provide burial and perpetual care services to veterans and eligible dependents. The Virginia Veterans' Cemetery, in Amelia, is a 129-acre facility. The Albert G. Horton, Jr. Memorial Veterans' Cemetery, in Suffolk, is a 73-acre facility. The Virginia Veterans' Care Center, adjacent to the Salem VA Medical Center, is a 240-bed facility that provides long-term skilled care and assisted living services to veterans of the armed forces. Construction of a 160-bed Sitter-Barfoot Care Center, on the grounds of the McGuire VA

Medical Center in Richmond, began in the spring of 2005, with construction expected to be complete in fall of 2006.

The State Approving Agency (SAA) for Veterans' Education reviews and approves post-secondary education programs operating in the Commonwealth, ensuring the programs meet strict federal qualification guidelines. Veterans may only use their G.I. Bill and other educational benefits at programs approved by the SAA. The Board of Veterans' Services is responsible for formulating policies, developing procedures, reviewing department budget submissions, and making recommendations for the efficient and effective delivery of veterans' services, as well as for studying all matters affecting the welfare of Virginia's veterans. The Veterans' Services Foundation is responsible for raising funds, identifying existing revenue sources for veterans' programs, and administering the Veterans' Services Fund. The Joint Leadership Council of Veterans' Service Organizations (JLC) advises the Department of Veterans' Services on matters of concern to veterans and their families.

[source: http://www.dvs.virginia.gov/commissioner_jlc.htm]

Commissioner Discussions

Recently, DVS was moved under the same Cabinet Secretariat as the Department of Military Affairs (under the Secretary of Public Safety) but with direct access to the Governor. This was to put DVS closer to important military connections and synergistic resources, but the move was not to make it part of the Military Department.

Besides the fact that Virginia re-organized its Department of Veteran Affairs recently after a full bi-partisan review done for the Governor's Office (results are known as "Wealth of Opportunities"), Virginia is interesting to examine, because with over 25% less veterans, it has been able to secure USDVA compensation and pension funding at an equivalent amount to Pennsylvania. Similar to Texas, it has a solid Strategic Plan and a solid USDVA relationship. A review of Virginia's inter-linked web sites shows that there is a high level of organization among the Veteran's Service Organizations, and the organizing and planning is beginning to pay off.

According to the current Commissioner, there have been and continue to be growing pains, but its board composition is a key to Virginia's success. For Policy, it has access to the Governor. Its sole focus is veteran affairs. The leadership council is focused on legislative issues, while the foundation focuses on fundraising. Commissioner Burgess believes that being Cabinet level isn't as important as being a focused entity (separate from the military) and not being buried somewhere in an organization.

Another key is crafting boards to represent needed skills with people who understand both the state legislature, and, even more crucially, the budget processes. He thinks that losing support services is the hardest obstacle to deal with when separating parts of an organization or becoming independent, but that if visibility is raised, the organization will more than make up for it in the long run and serve veterans better. The Strategic Plan is also critical and checking it against the Governor's budget and then getting "champions" to help fill gaps is a key to success.

V. STUDY METHODOLOGY

A. Previous Studies in Pennsylvania

1. The Legislative Budget and Finance Committee – 1991

In June 1990 the Legislative Budget and Finance Committee (LB&FC) directed its staff to conduct a study of the delivery of state-administered veterans' programs in Pennsylvania. The Committee adopted the study because of concerns over the efficiency and effectiveness of the current administrative structure for these programs, interest in the comparison of Pennsylvania's veterans' programs to those in other states, and concern over the effect of changes in the size and composition of the Commonwealth's veteran population on veterans' programs.

The 1991 LB&FC staff review of Commonwealth veterans' programs and the administrative structure used in Pennsylvania to operate these programs found:

States structure their veterans' agencies in a variety of ways with no single model having been widely accepted as the preferred structure. In recent years, however, there has been a trend among several states toward greater independence and higher visibility of states' veterans' agencies.

Pennsylvania differs from many other states in its high degree of reliance on independent county directors of veterans' affairs – with little state assistance or oversight – to assist veterans in applying for state and federal benefits. Creation of an independent administrative department or commission in Pennsylvania without a major change in the state's reliance on independent county departments of veterans' affairs may serve to improve the visibility of the state's veterans' programs but is not likely to directly address concerns over outreach and coordination of services. Expanding state field service offices to improve outreach and provide assistance and training to county directors is likely to cost the state's General Fund an additional \$1 million or more annually.

Many veterans view outreach efforts made by state and county veterans' agencies as inadequate.

2. Lehigh Valley Military Affairs Council

The Lehigh Valley Military Affairs Council (LVMAC) study examined the status of non-medical benefits being provided to, or spent on behalf of, Lehigh Valley (Lehigh and Northampton counties) veterans. It also provided medical benefits information for comparison and information purposes. The LVMAC tasked its Veterans' Affairs Committee to analyze these concerns and to make recommendations, where warranted, to improve veterans' support.

The entire Commonwealth was included in the study. The study focused primarily on the compensation and pension program, one of the Department of Veterans' Affairs' two major programs, and the typical "gateway" to the veterans' healthcare program, the DVA's other major program.

The study found that Pennsylvania generally places in the lower third among its “peer” states. By one measure Lehigh Valley veterans receive \$1,000 (53%) a year less in total compensation, pension and services than the national average. It is worth noting that Lehigh Valley veteran medical patients each receive \$2,000 (39%) less annually in medical treatment than the national average. Pennsylvania ranks in the bottom fourth of all states in compensation and pension cases (19% below the national average).

The study found that Pennsylvania veterans are underserved, because inconvenient access and the lack of accredited Veterans Service Officers reduce the number of claims processed and reduce the benefit amounts of claims that are processed. This reinforces the fact that access (participation), for whatever reason, is the root of the problem.

This study also researched other factors that affect veterans’ need for assistance: their relative health and wealth. Pennsylvania veterans are over all slightly more affluent than populations in other states; however, there are states with even more affluent populations that serve veterans much better than Pennsylvania.

A survey of states (good and poor performers) suggests that there is a relationship between the ratio of properly trained service officers per veteran to dollars and services received; that the quality of that service, as evidenced by accreditation, is an even stronger factor; that establishing local service centers has a bearing on the results, and that states that augment county service offices with state-level veteran service officers normally do better.

The LVMAC study concludes that the major reasons why veterans are being under-served are:

- A lack of trained Veterans Service Officers (used generically).
- Not enough veterans’ service officer positions.
- No organization that coordinates federal, state, regional and county efforts (no one in charge). Inconveniently located assistance offices.
- This lack of an overreaching program has serious consequences for veterans. If Lehigh Valley’s veteran population, not to mention Pennsylvania’s, was brought only to the national average for “properly” rated compensation and pensions, benefits would increase by an estimated \$33,700,000 annually. If medical and other benefits were brought to the national average, it would result in an estimated increase of \$36,500,000 annually.

The study recommended that the DVA, and the Commonwealth alter the way they serve veterans.

Specifically:

- The DVA needs to establish professionally trained veterans’ service representative positions so it can provide hands-on management and local subject matter expertise.
- The Commonwealth should create a new cabinet-level Department for Veterans Affairs that is empowered with greater oversight and accountability, fund more state veteran service officers,

and require county service officers to meet DVA requirements – in other words, “to set the standards and take charge.”

-- Counties together with other local agencies, should jointly establish a “one-stop shopping” Veterans’ Service Center, a location that brings together all of the non-medical assets dedicated to helping local veterans.

LVMAC produced its study as a public service to Lehigh Valley veterans and their families.

B. Interviews

Defense Solutions representatives met with the Adjutant General, the Deputy Adjutant General for Veterans’ Affairs and staff of the Bureau for Veterans Affairs, former Adjutants General, former State Government Officials, County Directors, members of Veterans’ Service Organizations and their Executive Committees, and the Legislatively Created Executive Committee of State Veterans’ Organizations Leaders, and other stake holders. Following is a summation of their views. Pros and cons as expressed are summarized below:

The strongest refrain heard from veterans’ groups was the apparent or perceived lack of standardization and equity in the claims application and approval process. Common questions from veterans included:

- Why does it take twice as long to process a claim filed in Philadelphia as it does in Pittsburgh?
- Why do New Jersey veterans’ get higher disability benefits than we do in Pennsylvania?
- The greatest challenge is identifying the services needed and having them authenticated by the County Directors.
- Throughout the veteran community, there are no standards of claims procedures for services offered or a way to identify services needed.

Other veterans asked:

- Why spend money to create a new bureaucracy if you’re not going to change anything?
- Why waste the dollars? If you don’t increase the services, a reorganization won’t achieve anything.
- Since 1977 five Veterans’ Homes have been added to the system; however, why does the central office staff remain the same?

Rhetorical comments by veterans frequently addressed:

- the assumption that the Commonwealth will provide funding to set up a new Department but not improve the delivery of services. Veterans believe that the Bureau for Veterans Affairs lacks the staff it needs to service the veterans in part, because it shares personnel and functions with the military side of DMVA.

-- concern about where it might be located should a new Department be created. Previously introduced legislation calls for the Department to be headquartered close to Harrisburg, while the current DMVA is the furthest headquartered department from the state capital.

During interviews with BVA spokespersons, the following points were discussed:

-- The support services provided by DMVA staff to the Bureau for Veterans Affairs are significant and include: mail, printing, facilities, engineering, construction, legal, human resources, purchasing, contracting, budget, administrative services, accounting, vehicle maintenance, messenger services, building maintenance, utilities, and more. While many of these services will have to be replicated in the new Agency, It is unclear how much these services actually cost. There are many variables to calculate the costs for the new Agency that could eliminate or add to the costs for these services. For example, some of the services can be performed by current staff within the new Agency, depending on the physical location/building, i.e., if the new Agency were co-located with another state agency and/or share office space in same building as another state agency, it could use the custodial, maintenance, vector control, etc. employees and/or contract services. In addition, the costs involved in printing by professional services or Department of General Services, Automotive, Construction, Engineering and Drafting performed by new Agency employees or by Department of General Services.

-- There will be many tangible and intangible costs associated with a split in departments, some quantifiable and some nonquantifiable. The status associated with a separate cabinet level department, however, is assumed to be a benefit for veterans that is worth the additional cost.

-- Veterans' groups need to articulate the benefits they see in a split. They have not clearly articulated the benefits of a split in the department, only that it will improve their status and services.

Other veterans expressed the following concerns:

-- One of the problems the current department has is the lack of standards in claims procedures and even in claims forms required by the VA. Currently Pittsburgh and Philadelphia are the regional claims centers. All claims from the Commonwealth come through these two regional offices for validation. These two offices do not use the same procedures to validate claims. They do not even use the same forms for claims filing and processing.

-- There are no standards for certifying claims officers or Veterans Service Officers (VSO). In fact, there is no requirement that the VSOs be certified. There is neither a requirement for what services must be provided, nor a requirement for how the offices should be structured. This results in some offices being understaffed and others overstaffed based on the number of claims they process. Commonwealth veterans' organizations have service officers who process claims for their veterans, and they as well as the County Directors are under no obligation to follow a particular claims procedure, handle specific services, or be certified in any

way. There is a need to improve the interface with the County Directors and additional staff for Veterans' Service Offices operations.

-- There are no standards for the County Veterans' Programs; and there is no certification requirement. Infrastructure needs to be expanded to get the services to the veterans. The certification course offered by the BVA is completely optional, and since federal funds do not go through the BVA there is no incentive for them to become certified. The recent increase in certification is a direct result of the BVA funding travel expenses for the County Directors to attend the training. This funding is out of the BVA budget. It is not federally funded.

Both veterans and BVA personnel agree that:

-- Manning of the BVA is a problem. The administrative manning has not been increased in the past twenty-five years, yet the infrastructure and services to manage has grown exponentially. The BVA uses outside support from DMVA to accomplish some of its administrative tasks. This includes, but is not limited to legal counsel, transportation, printing, forms delivery, publications, IT support, and interagency mail.

-- The structure will have to change regardless of whether the departments split. Education, support healthcare, claims are areas that require additional manning because of the growth in the system. This year was the largest return for estates the Department has realized, because a more aggressive legal program implemented a uniform legal estate program used throughout the Agency to process claims. An entire legal department is needed to handle the estate program. Currently there are four attorneys doing all work as needed.

-- The biggest challenge in separating the Department will be getting the infrastructure up to speed following the split. There is the question of IT support if the bureau is separated from the Department. A whole IT infrastructure will have to be built for the new department complete with server, mail, telephone, etc. Equipment now shared by the two departments will have to be acquired by the BVA and installed in its new location. This will be part of the initial start up cost of the split. Functions like legal counsel, procurement, printing, etc. will become separate issues and require expansion and new funding for support.

-- The composition of today's returning veterans is changing. There are now more than 62,000 women in Pennsylvania who are veterans with more to come. With this change in the demography come new and unique problems and claims that will require VSOs and counselors specifically to handle woman veterans' issues. This structure is required at both the local and regional office level.

DMVA staff indicate that:

-- Breaking up the Department will not improve service to veterans, but will certainly increase costs. Their suggested options to improve service to veterans include better oversight of the programs, through additional staff, changes in programs, training, interface with County Directors, Labor & Industry coordination, incentives that will help support veterans' programs

and get the “word” out, make new guidelines for County Veterans’ Officers, and use technology to improve services. In the last two years they have made significant improvements in handling veterans’ services. It takes time to coordinate and make changes work effectively.

-- Hiring delays experienced in bringing aboard nurses, LPNs, and support staff have been shortened somewhat from the earlier reported 91 days to about 50 days, but it is still a problem.

The Adjutant General confirmed our finding that veterans’ programs across the Commonwealth are not adequately resourced. There simply is too little staff to do the work, and as a result, veterans are not being well served. When questioned as to why the staff is so small to service 1.12 million veterans . . . “the state doesn’t want to spend the money.” The Adjutant General did reiterate that she will support what is best for veterans—whether that means a new department or maintaining the current organization.

She said that a new department without the resources to serve veterans can be expected to be no more successful than the current organization. It is all about resources.

Other veterans believe that:

-- Creating a cabinet level post alone will not be enough. Many believe much of the state system, as well as the federal VA health care should be privatized. Privatization of some services as an alternative to the creation of more state employees is an option. While the idea of privatization is not the focus of our current study, it does have significant impact on the costs associated with the possible creation of a new Department.

-- To assist the County Directors to become more effective, both funding and a change to the County Code is required. With poorly trained or untrained caseworkers, it often takes eighteen months or more to adjudicate a case for a veteran to receive benefits.

Several veterans pointed out that:

-- The VFW’s Philadelphia office for Nov 05, Dec 05 and Jan 06 reported 86, 150, and 104 claims filed and \$1,664,929, \$1,176,707 and \$1,147,187 in benefits for those three months. There is similar data on the five American Legion centers. Caseworkers need training.

-- Qualified veterans are not being made aware of the benefits to which they are entitled.

-- The Bureau of Veterans’ Affairs as a sub-cabinet post within the Department of Military Affairs is “broken,” and that the only way to fix it is to “create and empower a separate cabinet level post.”

Former Governor Schweiker believes that in regard to creating a separate department, “it’s a proposal whose time has come.”

One former Adjutant General said not much priority was put into veterans' issues due to pressing military matters, and he "just kept hoping that nothing happened at one of the homes"—which also reinforces that veterans were not a priority during his watch.

He also stated that it is "essential" to separate the Department of Military Affairs from the Bureau for Veterans Affairs. Things are different now that make the separation more urgent:

-- When he was Adjutant General, there were only 3 veterans' homes, now there are 6 with the possibility of a 7th

-- The Adjutant General now has responsibility for Fort Indiantown Gap, which he did not have, and the number of mobilizations, deployments, and demobilizations deserve greater attention

-- The Adjutant General responsibility in homeland security

He said, "the Guard will be better in all regards. We'll have better emergency response if the Adjutant General were relieved of this responsibility. Currently, the AG and staff are disengaged from the subject of emergency response."

Several former Adjutant Generals share many of the above views.

C. Surveys

Approximately 220 surveys were forwarded to the County Directors of Veterans' Affairs and various Veterans' Organizations. The surveys asked the following questions:

-- Is the Commonwealth meeting the needs of Pennsylvania's veterans and their families?

-- Is the BVA service network and structure within the commonwealth effective in making a difference in the lives of the Commonwealth's veteran population and its families?

-- Are the major concerns of your county/organization being addressed by the BVA?

-- Is the current operational and logistical structure of the BVA sufficient for meeting its obligations to Pennsylvania's veterans and their families?

-- Does your organization believe there is a better way to organize, manage, fund and staff veterans' programs at the state and local levels to provide the best services in the most efficient manner?

-- Would your organization support the restructuring of the BVA from its current structure into a new and separate, cabinet-level agency known as the Department for Veterans Affairs?

The results of the survey were evenly split between those who answered positively and negatively to the effectiveness of the BVA in administering to veterans' needs.

D. Site Visits

Scotland School for Veterans' Children (SSVC)

On February 13, 2006 representatives of Defense Solutions met with Superintendent Ronald D. Grandel at the Scotland School for Veteran's Children. Also attending was David E. Heiland, Director of Veterans' Programs at DMVA and Deputy Adjutant General for Veterans' Affairs, BG (PA) Cecil Hengeveld.

At the time of the visit, Superintendent Grandel had been Superintendent for two weeks. Previously he served as the Deputy Superintendent. He is a retired Major, Armor, US Army and previously was a Senior ROTC Instructor in New York.

Superintendent Grandel presented a briefing on the history and current activities of the SSVC and then conducted a personal tour of the facilities.

Current SSVC information follows:

- The SSVC Foundation is a 501c3.
- It is not a reform school
- The class of 2005 included 33 graduates
- JROTC is mandatory for grades 9-12
- Its Color Guard is used for public events
- It holds a one week summer camp at Fort Indiantown Gap

Capital Budget:

PK1: School and 6 cottages

PK2: Curtin Hall, Old Gym, 10 cottages

PK3: \$8.8m approved by Office of the Budget (includes vocational arts bldg, auditorium, remaining cottages, tennis courts, stadium)

The Board of Trustees is active in major management activities.

The Superintendent stated he could handle approximately a 50% increase in student load.

Current staff and faculty: 133

Current student load: 285

The school has good relations with the community.

They are making progress filling key leadership vacancies.

The school is currently preparing for Middle States Accreditation

During the facilities tour we noted:

The facilities are expansive and generally in deteriorating state

The swimming pool has been filled for the first time in four years and requires many repairs.

There is significant room to expand and/or to repair or rebuild aging structures.

The children/students appear to be very well behaved, and the teachers actively engaged in instruction.

The cottages are spacious and present a positive home environment.

VI. ANALYSIS

A. Separate Organizational Structure vs. Current Structure

The study team considered three organizational structure options:

1. To do nothing; to leave the current Bureau for Veterans Affairs in place as part of the Department for Military and Veterans Affairs and resource it at the budgeted level.
2. To create a new Department for Veterans Affairs from current resources.
3. To create and resource a new Department for Veterans Affairs.

The Adjutant General has clearly and repeatedly expressed her view that she will not support a separation of the Bureau for Veterans Affairs that simply elevates that organization to Department status (option 2) unless the new Department is structured, resourced, and empowered to improve the delivery of services to Pennsylvania's 1.12 million veterans (option 3). Further, it is believed that creating a new Department without providing additional resources will do more harm than good by siphoning away resources otherwise needed to support veterans programs. Therefore, the study team recommends option 3, creating and adequately resourcing a Department for Veterans Affairs.

At various times the State Veterans' Commission, the Pennsylvania War Veterans' Council, the Lehigh Valley Military Affairs Council and this study recommend the creation of a Department for Veterans Affairs. The State Association of County Directors for Veterans' Affairs – an organization whose members are not currently managed or funded by the Bureau for Veterans Affairs -- opposes changes to the current organization.

To be successful, the new Department must provide:

- An empowered Secretary for Veterans' Affairs
- A small headquarters section to provide oversight, resource allocation and management
- A robust field operation adequately staffed with well trained personnel at district/regional offices to proactively support veterans' benefits and claims programs
- Supervision of more than simple oversight of the County Directors for Veterans' Affairs but be responsible for their training, funding, and performance.

1. Staffing Structure

This study recommends the creation of a separate, cabinet-level Department for Veterans Affairs from assets belonging to the current Bureau for Veterans Affairs within the Department of Military and Veterans Affairs. The recommended purpose of the department is "to aid veterans, their dependents, surviving dependents, and beneficiaries to obtain or maintain privileges, rights and benefits to which they are entitled under Federal or Commonwealth statute."

Upon the creation of a Department for Veterans Affairs, the following positions may be created:

a. A Secretary for Veterans' Affairs. The Secretary is the head of the department and shall have direction, authority and control over it.

b. A Deputy Secretary (Director) for Veterans' Homes. The Deputy Secretary for Veterans' Homes shall be responsible to the Secretary for the administration of all veterans' homes, the care of all residents therein, and shall make recommendations for the improvement of same.

c. A Deputy Secretary (Director) for Programs, Benefits and Claims. The Deputy Secretary for Programs, Benefits and Claims shall be responsible to the Secretary for all veterans' programs, not including veterans' homes, for the administration of all benefits granted to veterans under the laws of this state, and for assisting veterans and their dependents in making claims under federal and state law. The Deputy Secretary shall have oversight responsibility for the Scotland School for the children of veterans.

It is recommended that the Department recognize and support, but have no control over, the following commissions, councils and boards:

- The State Veterans' Commission
- The War Veterans' Council
- The Advisory Council organized at each State operated veterans' center.
- The Trustee organization for Scotland School for Veterans' Children
- Other veterans' councils and commissions that may be formed from time to time

Further, it is recommended that the Department establish and enforce standards for appointment as a Veterans Service Officer and that the Department be assigned responsibility for all non-federal veterans' programs administered within the Commonwealth, to specifically include the management, oversight and funding of the Governor's Veterans Outreach and Assistance Centers.

d. In addition, if a new Agency is created, approximately 65 to 91 new positions will be required to provide all the supportive services, i.e., administration, budget, contracting, procurement, fiscal, accounting, mail, storekeeping, custodial, maintenance, facilities, engineering, etc. A projected staffing summary identifying all positions, salaries, and/or pay range/step is included.

e. There is also a brief history of the DMVA budget for fiscal years 02 through 07. A projected budget has been prepared for fiscal years 07-08, 08-09 and 09-10. A summary of the overall budget identifying state, federal and augmenting funds and a cost analysis has been identified which includes costs for all positions, operating expenses and fixed assets.

2. Staffing Analysis

a. BUREAU OF VETERANS AFFAIRS – (Current Staffing 20 positions)

Position	Range/Step	Annual Salary
Executive Sec 1	05-01	29,770
Clerk Typist 3	04-20	39,355
Clerk Typist 3	04-20	39,355
Clerk Typist 3	04-06	29,164
Clerk Typist 3	04-05	28,577
Clerk Typist 3	04-01	26,386
Clerk Typist 3	04-05	28,577
Clerk Steno 3	04-20	39,355
Clerk Steno 3	04-20	39,355
Executive Asst	09-06	55,922
Admin Off 1	06-01	33,702
Admin Off 2 (vacant)	07-01	38,475
Admin Off 3	08-19	65,291
Admin Off 4	09-03	52,382
Dir Vets Home Div	12-07	85,047
Vets Serv Ofr Mil Aff	05-05	32,294
Vets Serv Ofr Mil Aff	05-01	29,770
Vets Serv Ofr Mil Aff	05-03	31,003
Vets Serv Ofr Mil Aff	05-02	30,416
Dep Adj Gen Vets Aff	DS01-00	98,661
TOTAL COST OF 20 CURRENT POSITIONS		852,857
43.43% (FY05-06) Benefit Cost Factor	470.395	
GRAND TOTAL 20 CURRENT POSITIONS Salaries/Benefits		1,323,252

Note: Total Costs for all filled 20 positions with benefits

b. NEW AGENCY – PROPOSED STAFFING 32 NEW POSITIONS – HQ DVA

NEW ADDITIONAL 32 POSITIONS FOR THE OFFICE OF VETERANS AFFAIRS

Position	Range/Step	Annual Salary
Secretary of VA		108,000
Deputy Vet Homes (New)		98,661
Deputy Vet Svcs (Current DAG-VA)		0
Vet Home Administrator (NHA)	10–10	69,712
Vet Home Administrator (NHA)	10–10	69,712
Admin Off 4	09–10	61,086
Quality Assurance Program Mgr	09–10	61,086
Quality Assurance Program Mgr	09–10	61,086
Exec Sec 2	06–10	41,076
Exec Asst	09–10	61,086
VA Claims/Benefit Admin	08–10	53,536
VA Claims/Benefit Admin	08–10	53,536
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Vets Serv Ofr Mil Aff	05–05	32,294
Clerk Typist 3	04–10	31,648
Clerk Typist 3	04–10	31,648
Clerk Typist 3	04–10	31,648
Clerk Typist 3	04–10	31,648
Clerk Typist 3	04–10	31,648

c. NEW AGENCY - ADDITIONAL POSITIONS TO SUPPORT NEW AGENCY

NEW BUREAU OF ADMINISTRATIVE SERVICES

Position	Range/Step	Annual Salary
Dir of Admin Svcs	11-10	75,590
Admin Off 3	08-10	53,536
Admin Asst	05-10	35,971
Dir HR 3	10-10	69,712
HR 4 (Labor Relations)	09-10	61,086
HR 3	08-10	53,536
HR2	07-10	46,944
Pers Asst 2	05-10	35,971
Clerk Typist 3	04-10	31,648

PURCHASING/STOREKEEPING

Pur Agent 3	07-10	46,944
Pur Agent 2	06-10	41,076
Pur Agent 1	05-10	35,971
Clerk Typist 3	04-10	31,648
Storekeeper 1	04-10	31,648
Stock Clerk 2	03-10	28,069

BUDGET

Bdgt Anl 5	10-10	69,712
Bdgt Anl 3	08-10	53,536
Bdgt Anl 3	08-10	53,536
Fiscal Asst	05-10	35,971

ACCOUNTING

Acct 3	08-10	53,536
Fiscal Asst	04-10	31,648

IT

Dir IT VA	11-10	79,590
IT Genst Adm 1	09-10	61,086
IT Genst 1	07-10	46,944
IT Genst 2	08-10	53,536

PUBLIC AFFAIRS

Press Sec	09-10	61,086
Admin Asst	05-10	35,971

LEGAL

Attorney 4		99,247
Attorney 3		86,925
Attorney 2		76,167
Admin Asst	06-10	41,076

LEGISLATIVE

Leg Liaison 3	10-10	69,712
Admin Asst 2	06-10	41,076

TOTAL 65 NEW POSITIONS: Salary Costs: \$3,012,271
Benefits Costs @ 43.43% \$1,308,228

GRAND TOTAL FOR 85 ADDITIONAL POSITIONS \$4,320,499

NOTE: The DMVA currently provides the above positions with shared services to BVA at NO COST. These support positions provide daily guidance and assistance as required. The cost of these additional positions to staff a new Agency is approximately \$4,320,499. In addition, DMVA provides building space, utilities, mail, messenger, duplicating facilities, automotive services, building/vehicle maintenance, custodial, security, legal, public relations, Information Technology support, Telecommunications support, Human Resources, Budget, Procurement, Contracting, Construction Inspectors, Facilities and Engineering, Environmental, Legislative, etc. These services would result in additional charges.

The next section identifies “Optional Positions” that are actually "required positions" in the event that a new Department for Veterans Affairs is headquartered in its own facility. The study team strongly supports relocating the new Department for Veterans Affairs, if created, away from Fort Indiantown Gap, to either Harrisburg to be closer to State Government or to utilize existing state-owned facilities elsewhere. The study team found locating the possible new Veterans' Department headquarters at the Scotland School for Veterans Children in Chambersburg to be preferable, even though it does not bring the Veterans headquarters closer to State Government. By locating at the Scotland School, the new Department could utilize existing facilities, thereby reducing costs and reducing the need for most, if not all of these optional positions while maintaining a high level of visibility of the Scotland School with Pennsylvania’s veterans. These optional positions are proposed based on a pay range and step that are flexible within the Commonwealth Classification and Pay System. The title of the position can be changed and/or reallocated to fit the needs of the new Agency. Currently the DMVA has full time positions for Facilities and Engineering, i.e., Draftsman Designers, Engineers, Construction Inspectors, etc.; however, these positions may not be required within a new Department for Veterans Affairs, if the work will be performed by the Department of General Services. The same is true, if the new Agency is co-located with another state Agency and the custodial, maintenance, vector control, automotive, etc. are performed by the other state Agency's employees and/or result in shared services cost for contracts. These 26 positions are only suggested positions; there may be a need

to reallocate some of these positions to other classification titles, thus addressing the priorities of the newly created Department for Veterans Affairs.

d. NEW AGENCY - OPTIONAL POSITIONS (26 additional if required)

MAINTENANCE/AUTOMOTIVE/CUSTODIAL/FACILITIES/ENGINEERING

Position	Range/Step	Annual Salary
FACILITIES/ENGINEERING		
Dir Fac & Engr	11-10	79,590
Admin Off 4	09-10	61,086
Fl Cnstn Mntnc Mgr	07-10	46,944
Fl Cnstn Mntnc Mgr	07-10	46,944
Drfts Dsgnr	06-10	41,076
Engineer	09-10	61,086
Arch Dsgn 2	09-10	61,086
Clerk Typist 3	04-10	31,648
Clerk Typist 2	03-10	28,069
CUSTODIAL		
Cstdl WkrSupv	04-10	31,648
Cstdl Wkr 2	03-10	28,069
Cstdl Wkr 1	02-10	24,861
Cstdl Wkr 1	02-10	4,861
BUILDING MAINTENANCE		
Bldg Mntnc Frmn	06-10	41,076
Maint Rep 2	04-10	31,648
Maint Rep 2	04-10	31,648
Autmtv Equip Spec	06-10	41,076
Autmtv Mchnc	04-10	31,648
Autmtv Mchnc	04-10	31,648
Clerk Typist 2	03-10	28,069
SECURITY		
Security Off 2	04-10	31,648
Security Off 1	03-10	28,069
Security Off 1	03-10	28,069
Security Off 1	03-10	28,069
Security Off 1	03-10	28,069
Security Off 1	03-10	28,069
TOTAL COSTS FOR MAINT/SVC POSITIONS		\$1,074,435
Benefit Factor 43.43%	466,271	
GRAND TOTAL 26 OPTIONAL POSITIONS		\$1,540,706

e. NEW AGENCY - COST ANALYSIS

CURRENT BVA / PROPOSED DVA STRUCTURE COSTS

Salaries/Benefits/Operations

	Staffing 85 65 New + 20 Current	Staffing 111 65 New + 26 current + 26 optional
Current Staffing Structure in BVA 20 Current	\$1,323,252	\$1,323,252
Proposed 65 New Positions For New Agency	4,320,499	4,320,499
Proposed 26 Optional Positions for a Total of 111 Positions		1,540,000
TOTAL PERSONNEL COSTS For 85 Positions	5,643,751	
TOTAL PERSONNEL COSTS For 111 Positions		\$7,183,751
OPERATING COSTS		
Operating Costs for 85 Positions	1,693,125	
Operating Costs for 111 Positions		2,155,125

Note: Current Operating Costs: \$117,000
Operating Costs for the \$1.3 million budget for the BVA are currently \$117,000. Based on additional staff, training costs, travel, equipment, supplies, etc. costs will increase approximately 30% of the total Budget. Currently, DMVA is assuming the majority of the costs for Operations.

FIXED ASSETS (New Agency)	600,000	900,000
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SUMMARY COST ANALYSIS

Total Costs New Agency 85 Positions (65 New + 20 Current)	\$7,936,876	
Total Costs New Agency 111 Positions (65 New + 26 Optional + 20 Current)		\$10,238,876

GRAND TOTAL COSTS NEW AGENCY

For 85 Positions/Operating/Fixed Assets (65 New + 20 Current)	\$7,936,876	
For 111 Positions/Operating/Fixed Assets (26 Optional + 65 New + 20 Current positions)		\$10,238,876
Total Costs for 111 Positions Maintenance/ Custodial/Facilities/Engineering/Security)		

f. NEW AGENCY - PROPOSED BUDGET

Note: 85 positions identified are 65 new + 20 current / 111 positions identified are 65 new + 20 current +26 Optional

Summary Financial data	FY 07-08		FY 08-09		FY 09-10	
	85 Pos	111 Pos	85 Pos	111 Pos	85 Pos	111 Pos
Headquarters						
State funds	\$7,936	\$10,238	\$9,000	\$11,200	\$9,900	\$12,100
Federal Fund	80	80	85	85	90	90
Other Funds						
Miscellaneous	1	1	2	2	2	2
Purchasing Card Rebates	15	15	15	15	18	18
TOTAL FUNDS	\$8,032	\$10,334	\$ 9,102	\$11,302	\$10,010	\$12,210

VETERANS HOMES

	FY 07-08	FY 08-09	FY 09-10
State Funds	\$87,500	\$93,700	\$98,600
Federal Funds			
Operations & Maintenance	30,100	34,200	38,000
Medical Reimbursement			
Other Funds	25,400	26,100	27,000
Aid & Attendance Payments			
Residential Fees			
Purchasing Card Rebates			
Miscellaneous			
TOTAL FUNDS	144,000	154,000	162,000

Summary Financial data	FY 07-08	FY 08-09	FY 09-10
SCOTLAND SCHOOL			
State Funds	9,980	10,500	11,200
Federal Funds	525	535	550
ESEA Education for the Disadvantaged School Milk Lunch Drug Free Schools and Communities Education Enhancement			
Other Funds Total	2,250	2,300	2,375
Institutional Reimbursements Tuition Recovery Purchasing Card Rebates			
TOTAL FUNDS	\$12,755	\$13,335	\$14,125

TOTAL NEW AGENCY PROJECTED BUDGET

(Includes Hq, Veterans Homes, Scotland School for Children)

Summary Financial Data	FY 07-08		FY 08-09		FY 09-10	
	85 Pos	111 Pos	85 Pos	111 Pos	85 Pos	111 Pos
AGENCY TOTAL FUNDS						
State funds	\$105,416	107,718	113,200	115,400	119,700	121,900
Federal funds	30,705	30,705	34,820	34,820	38,640	38,640
Other	27,666	27,666	28,418	28,418	29,395	29,395
TOTAL	\$163,787	166,089	176,438	178,638	187,735	189,935

The projected budget for a new Department for Veterans Affairs identifies three future fiscal years at an increase of approximately 8% between fiscal years 07-08 to 08-09 and approximately 7% from fiscal years 08-09 to 09-10. The current Department of Military and Veterans Affairs budget for FY 06-07 is \$151.049 million. The difference between FY 06-07 and the projected budget for new Agency in FY 07-08 at \$163 or \$166 million has an increase cost of approximately \$13 to \$15 million dollars depending on the number of positions approved ranging from 85 to 111 positions or an approximate increase of 8 to 9% increase.

3. Budget Impact – DMVA BUDGET HISTORY AND ANALYSIS

DMVA BUDGET HISTORY -From FY 02-03 thru FY 06-07

BUREAU OF VETERANS AFFAIRS-CENTRAL OFFICE, Headquarters Budget

	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Total State Budget	1,211,350	1,194,087	1,167,644	1,193,119	1,194,000

VETERANS PROGRAMS

Program	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY06-07 Budgeted
Education Gratuity	100,000	190,000	190,000	190,000	190,000
Veterans Emergency Assistance Program	927,000	1,230,000	1,230,000	1,230,000	1,230,000
Paralyzed Vet Pension	411,000	460,000	460,000	527,000	527,000
Blind Vet Pension	218,000	235,000	235,000	306,000	306,000

SCOTLAND SCHOOL FOR VETERANS CHILDREN

	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY06-07 Budgeted
State	8,167	8,000	8,593	9,223	9,592
Federal	481	506	500	511	515
Augmentation	2,216	2,032	2,313	2,212	2,224
TOTAL	10,864	10,538	11,406	11,856	12,331

VETERANS HOMES

	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07 Budgeted
PA Soldiers Sailors					
State	6,186	6,545	7,618	7,418	7,819
Federal	2,376	2,412	2,394	2,520	2,442
Augmentation	2,317	2,405	2,568	2,511	2,514
TOTAL	10,879	11,362	12,580	12,449	12,775
Hollidaysburg					
State	21,423	22,558	23,583	25,806	26,831
Federal	7,394	7,869	7,603	7,911	8,463
Augmentation	7,343	7,497	7,724	7,847	7,827
TOTAL	36,160	37,924	38,910	41,564	43,121
Southeastern PA Veterans Center					
State	12,491	13,980	13,497	14,206	15,277
Federal	4,271	4,613	4,553	4,910	5,110
Augmentation	3,336	3,562	3,799	3,043	3,739
TOTAL	20,098	22,155	21,849	22,159	24,126
Gino J Merli Veterans Center					
State	7,951	8,769	9,199	10,267	10,555
Federal	3,715	3,447	3,958	3,982	3,984
Augmentation	3,456	4,188	3,454	3,743	3,764
TOTAL	15,122	16,404	17,011	17,992	18,303
Southwestern PA Veterans Center					
State	7,950	8,462	9,580	10,664	10,693
Federal	4,038	4,404	4,289	4,435	4,620
Augmentation	4,164	4,298	4,585	4,139	4,632
TOTAL	16,152	17,164	18,454	19,238	19,945
Delaware Valley					
State	4,033	9,119	11,831	11,023	11,709
Federal	124	720	1,589	3,688	2,968
Augmentation	134	749	2,511	1,448	2,325
TOTAL	4,291	10,588	15,931	16,159	17,002

GRAND TOTAL VETERANS HOMES

	FY 03-04	FY04-05	FY05-06	FY06-07 Budgeted
Veterans Homes total	69,433	74,583	79,584	*82,884
(F) Operations & Maintenance	22,898	24,386	26,810	27,126
(F) Med Reimburse	269	483	636	461
(A)Aid and Attend	6,359	7,077	7,011	15,828
(A)Residential Fees	16,312	17,833	13,533	6,991
(A)Pur Card Rebate	26	27	25	20
(A)Miscellaneous Reimbursements	2	104	12	27
(A)Estate Collections		0	2,150	1,935
 SUBTOTAL	 115,597	 124,020	 129,761	 **135,272

(F) Federal

(A) Augmentation

*Total Consolidated State Dollars for FY06-07 for all six Veterans Homes \$82,884

**Veterans Homes for FY06-07 has a total consolidated budget into one appropriation for (state/federal/augmenting) funds for a total of \$135,272 for all six Veterans Homes.

SUMMARY OF NEXT FISCAL YEAR BUDGET – FY 06-07

FY 06-07 COSTS FOR VETERANS AFFAIRS (STATE FUNDS)

VETERANS HOMES	\$82,884
SCOTLAND SCHOOL	\$9,592
VETERANS PROGRAMS	\$2,253
HQ, VETERANS AFFAIRS	\$1,193

CURRENT TOTAL COSTS **\$95,922**

FY 06-07 TOTAL COSTS STATE/FEDERAL/AUGMENTING FUNDS

(All funding)

VETERANS HOMES	\$135,272
SCOTLAND SCHOOL	\$12,331
VETERANS PROGRAMS	\$2,253
HQ, VETERANS AFFAIRS	\$1,193

GRAND TOTAL (ALL FUNDS) **\$151,049**

B. Comparison of Shared Services Currently Provided vs. Proposed Changes

The Department of Military Affairs is responsible for the administration of the military and veterans' programs of the Commonwealth, including Scotland School for Veterans' Children. The Agency has a two-fold mission. The DMVA is responsible for Pennsylvania's military forces, preparing 20,000 soldiers and airmen for combat. The Guard performs worldwide operations, providing global reach and global power projection in support of national objectives, and it provides trained personnel to support state and local authorities in time of natural disaster or civil strife at the command of the Governor. The DMVA is also responsible for our veterans' programs, including the operation of six Veterans' Homes, providing Veterans' Services to Pennsylvania's 1.12 million veterans and the operation of Scotland School for Veterans' Children, a student-centered elementary and secondary curriculum focused on individual needs including college preparatory classes and vocational offerings. Through legislation on June 6, 1996 the Department of Military Affairs' name was changed to the Department of Military and Veterans Affairs. Although still authorized by law, the Deputy Adjutant General position for Veterans' Affairs was not used from 1975 until 1998. On April 29, 1998, the Agency authorized a Deputy position for Veterans' Affairs.

In analyzing the information concerning the current "as is" structure of the Agency and the advantages or disadvantages involved in the separation of the Department, many factors are to be considered. Prior to making any recommendations there must be a careful review of the "pros" and "cons" of creating a new Agency, the identification of current organizational "shared services," recognized improvement of services and doing what is best for Pennsylvania's Veterans ultimately ensuring the Veterans receive the quality of care and services they desire for the commitment and sacrifices they made for our country.

There are numerous "services" realized by the Bureau of Veterans' Affairs with no specific costs charged to the bureau. The Department of Military and Veterans Affairs provides on-site support with no budgetary impact on the Bureau of Veterans' Affairs. Some of the services and support realized with "no" charge or minimum charge include, but are not limited to the following:

- Daily Mail and Messenger Services
- Daily Vehicle Maintenance and Automotive/Fleet Availability and Services
- Facility Space and Building Maintenance
- Utilities
- Custodial and Maintenance Services
- Environmental Services
- Information Technology Services
- Duplication and Printing services
- Draftsman and Design services
- Construction Inspection availability
- Capital Project Resources and Coordination
- Facilities and Engineering Resources and services
- Legal services
- Procurement and Contract Services

- Budget analysis, preparation, review, on-site training and guidance.
- Fiscal Management and Support
- Centralized Human Resource Support and Services, including On-Site Reviews/Training
- Training Resources
- Telecommunications Services
- Storekeeping and Records Maintenance
- Legislative Liaison Support and Services
- Vector Control Services
- Security Services
- Right to Know, HIPAA and other compliance requirements provided, i.e., training, contracts for services, etc.
- Coordination and Availability of Staff for Emergency Response, State Active Duty, etc.

A staffing and cost analysis is attached that provides a recommended organizational structure for a new Agency. Depending on the geographic location, approved complement authorization and funding requirements, the proposal identifies “basic needs” like: salaries, benefits, operations and fixed assets. The initial review conducted proposes an additional 85 positions that will include staffing in the following program areas: Human Resources, Budget, Accounting, Information Technology, Procurement, Contracting, Storekeeping, Telecommunications, Public Relations, Legislative Liaison, and additional positions within the structure of the Bureau of Veterans’ Affairs. These additional positions within the Headquarters, Bureau of Veterans’ Affairs will address the needs of Veterans’ Services, increased overview of the Veterans’ Homes and Scotland School and direct reporting relationships to an executive level position responsible for the entire program area.

The newly designated Agency may have needs for Security, Building Maintenance, Custodial, Facilities and Engineering staffing. The requirement for these services may result in an additional 26 positions at a cost of \$1.5 million dollars.

The costs analysis formula used in composing the budget provides for 60-65% of the budget being appropriated for personnel costs and 35-40 % designated for Operations and Fixed Asset. However, when analyzing the Veterans’ Homes budget, because of the patient care needs for staffing, their respective budgets are averaging approximately 75% for personnel costs. Thus, the operating costs must be reflected at a much lower level.

In the past four (4) Fiscal Years the overall budgets for the Veterans’ Homes increased an average of 6.6% per fiscal year. A percentage analysis identifying the cost increases from FY 01 to present have been identified below.

Specifically, increases for the various Veterans' Homes, comparing one fiscal year to another, are as follows:

Facility	01 vs. 02	02 vs. 03	03 vs. 04	04 vs. 05
HVH	6.11%	3.63%	4.54%	9.43%
PSSH	0.36%	1.57%	6.00%	9.80%
SEVC	4.64%	11.92%	-3.45%	5.25%
Gino Merli	8.84%	5.88%	5.43%	11.05%
SWVC	3.90%	2.19%	13.78%	10.76%
Delaware Valley	35.75%	46.65%	-0.46%	-10.10%
Overall Average Veterans' Homes	9.00%	7.08%	4.21%	6.03%

The Veterans' Benefit Program areas remain consistent in the last two fiscal years. The only programs that realized a slight increase from FY 03-04 was the Paralyzed Veterans' Benefits from \$460,000 to \$527,000 in FY05-06 and the Blind Veterans' Pension increased from \$235,000 to \$306,000 in FY05-06.

Based on the average increases for the Veterans' Homes and projected budgetary impact if a final determination is made on the separation of the Department of Military and Veterans Affairs, future budgetary projections would average approximately 6-8% a year.

It should be noted, should a determination be made to separate the Agency, the initial start-up costs could result in approximately \$7-9 million dollars in additional costs depending on geographic location, staffing, fixed assets, etc.

Most of the costs have been identified in the operating and fixed assets budget, however, there may be additional costs that could result in some expenses not programmed into the new Agency budget. Although they are not extensive, there may be a need for additional funds to cover the professional printing services required for brochures, medical forms, programs, etc. that are currently printed within the DMVA multigraphics/graphic arts section. There may be costs involved in expanding the assigned motor vehicle fleet requirements within the Veterans Affairs operations and Veterans Service Officer staff of the new Agency and the maintenance/repair of vehicles. There is also a tremendous need for new equipment or office furniture for the newly created agency. In addition, the telephone services/billing costs may rise significantly, leasing or rental of a new building, increased costs for contract services and/or utilities. The majority of these expenses have been included in the operating and fixed assets budget, however, depending on the location, staffing, equipment needs, there may be some additional costs for the initial "start up" of a new Agency.

If a final determination is made to separate the Department, discussions with the various unions will need to occur. The DMVA will need to address the labor/management issues involved with those employees covered by a collective bargaining agreement. One of the issues that may have

to be addressed is the reduction in staff and/or reassignment of staff to the newly created Department for Veterans Affairs. It should be noted that although there are significant costs involved in the creation of a new Agency, the remaining Department of Military Affairs will incur significant staffing reductions. These staff reductions could result in reassignments to the new Agency.

C. Impact of Growth of DMVA and/or Progress from 1991 to present (former study) difference or achievements – improvements

Since the 1991 Study by the LB&FC the Department of Military and Veterans Affairs has made significant improvements, the following briefly describes the accomplishments:

- Through Legislation on June 6, 1996 the Department of Military Affairs name was changed to the Department of Military and Veterans Affairs (DMVA)
- On April 29, 1998, the Agency authorized a Deputy position for Veterans' Affairs
- In 1996, Scotland School for Veterans' Children was transferred from the Department of Education to the Department of Military and Veterans Affairs.
- The number of Veterans' Homes doubled in size. In 1991 there were three (3) Veterans' Home, Pennsylvania Soldiers & Sailors Home, Hollidaysburg Veterans' Home and Southeastern PA Veterans' Center. The DMVA built three (3) new Veterans' Homes, Gino Merli in Scranton, Southwestern PA Veterans' Home in Pittsburgh and Delaware Valley Veterans' Home in Philadelphia.
- The Veterans' Homes bed capacity increased from 379 in 1991 to 1,600 in 2006. This is a 322% percent increase. This includes the three new facilities adding 607 beds and the expansion at Hollidaysburg Veterans' Home and Southeastern PA Veterans' Center.
- Staffing increased in the Veterans' Homes from 614 in 1991 to 1752 in 2005. In addition, 133 positions were allocated for Scotland School for Children and 20 positions for the Bureau of Veterans' Affairs for a total of 1906 positions for Veterans' Affairs.
- Increased the Blind Veterans' Pension and Paralyzed Veterans' Pension from \$100 a month to \$150 per month.
- The DMVA renovated the Veterans' Homes to add Alzheimer Units, thus addressing a need for this type of nursing care service for our Veterans.
- Established and participates in Pharmaceutical Assistance Programs that resulted in substantial savings to the Commonwealth.
- Increased revenue from Estate billings

- Implemented a Guaranteed Energy Savings Contract at Veterans' Homes and Scotland School for Veterans' Children
- Increased daily communication with federal USDVA on Veteran Benefit issues, Veterans' Health Care issues and Veterans' Burial issues. Established a working relationship with both Regional Offices, all eight medical centers, the VISN 4 staff and all eight Readjustment Counseling Centers in Pennsylvania.
- In 2005 DMVA Service Officers teamed up with the VA Regional Offices in filing 2,629 veterans' claims for compensation or pension realizing in excess of \$18.5 million dollars in benefits to Pennsylvania Veterans.
- During 2005-2006, DMVA Veterans Service Officers have processed 2,088 claims, a 55% increase over last year during the same period.
- DMVA established sharing agreements with the federal VA resulting in on-site medical and dental care, preventive maintenance of medical equipment and pharmaceuticals.
- In the process of establishing a Memorandum of Agreement between the USDVA and the Pennsylvania National Guard to ensure deployed soldiers and their families have full knowledge access to VA benefits and enrollment in the VA Health care system.
- Increased training for Veterans Service Officers. They attended and conducted Service Officer training 7 times in 2005.
- Increased awareness of Veterans' Benefits through publications, pamphlets and brochures distributed at Senior Expos, Job Fairs, Country Offices, Veterans' Organizations, VA facilities, etc.
- Increased participation in Advisory Council Meetings at various Veterans' Homes.
- Increased on-site visits at Veterans' Hospitals, County Court House, State Veterans' Commission Meetings, Homeless Workshops, Service Officer Meetings at VA Medical Centers.
- Prepared a Monthly Veterans' Served Report, identifying the geographic location and type of inquiry.

As one can see by the statements above, the accomplishments from 1991 until present were significant. The growth of the Veterans' Homes and the Bureau of Veterans' Affairs has increased in size from 3 Veterans' Homes to 6 facilities. Staffing increases from 614 in 1991 to 1906 in 2005, an increase of 310%. However, Bureau of Veterans' Affairs, Headquarters staff only increased from 17 to 20 positions. The lack of staffing increases within the Headquarters structure needs to be addressed, because the area of responsibility to the Bureau has increased three fold.

VII. Findings and Recommendations

A. Pros and Cons of a Separate Department

All arguments for or against creation of a separate cabinet-level Department for Veterans Affairs are moot in the absence of additional State funding. While a clear economic argument can be made substantiating a strong return on investment from these additional funds, the first assumption that must be made is that additional resources will be made available to create and staff a new department. In the absence of additional State funding, creating a new department will drain resources away from veterans' programs and could do more harm than good.

In addition to funding, a new Department, if created, requires an empowered Secretary to advocate on behalf of the Commonwealth's veterans. While acknowledging that the Department Secretary, as a member of the Governor's cabinet, will serve at the pleasure of the Governor and must at all times adhere to the Governor's priorities, the study team expects that the Secretary prepare well documented, logical and persuasive arguments to support positions of interest to veterans and to make that case to the best of his or her ability. Since it is the federal government -- and not the Commonwealth -- that creates veterans through military service in support of national goals and objectives, we believe it is the federal government's responsibility to fund and support veterans' programs. State investment in veterans' program administration is based on a well-documented return on investment. The philosophy is simple -- spend a little Commonwealth money to obtain federal benefit programs for Pennsylvania's veterans; these benefits promote economic activity that offsets the cost of the Commonwealth's investment. As a result, the veterans' receive benefits to which they are entitled based on their service and the cost to the Commonwealth is substantially offset by revenue generated through increased economic activity. We do not believe it inconsistent therefore to have a strong Secretary for Veterans' Affairs, one who aggressively pursues federal funding to support veterans' programs in the Commonwealth, while at the same time strongly supporting the Governor's program within the State.

In conclusion, the study team believes that a properly resourced and empowered Department for Veterans Affairs will better advocate and represent the needs of Pennsylvania's veterans.

Pros and Cons of Creating a separate Department for Veterans Affairs			
Issue	Pro	Con	Discussion
With a Cabinet Secretary representing them, veterans will have a greater voice in state government.			This assumes that a Secretary for Veterans' Affairs can and will be more advocate than administrator. Governor Rendell said as much in his 2002 campaign pledge, The Rendell Agenda for Pennsylvania's Veterans when he stated: <i>"As Governor, Ed Rendell will elevate the Bureau of Veterans' Affairs to cabinet-level status, creating the Department for Veterans Affairs. This department will have expanded responsibilities and support and greater access to the highest levels of state government."</i>

			There is no way to validate this assumption that veterans will have a greater voice in state government as a result of a separate department. That “voice” will be a function of the individual chosen to run the Department and the receptivity of the Governor that he or she serves.
Veterans deserve a separate department in Pennsylvania.			Once again, there is no way to validate this assumption. What veterans “deserve” is fair treatment and easy access to programs for which they qualify. There is no entitlement to a Department.
Veterans believe that they are not a priority in a Department of Military and Veterans Affairs and that a Secretary for Veterans’ Affairs will put Veterans first.			The Federal Legislative Priorities for Fiscal Year 2007, published by the Department of Military and Veterans Affairs lists 2 Joint Service projects, 5 Army National Guard priorities, 3 Air National Guard priorities and 8 military construction priorities. It makes no mention of veterans’ priorities. Conversely, one can assume that “Federal Legislative Priorities” for a Department of Veterans Affairs would prioritize veterans programs.
Veterans’ Organizations will have a direct reporting relationship to a Department Head.			True and maybe an advantage, but it is difficult to determine how that differs significantly from the current relationship between the VSOs and the Deputy Adjutant General for Veterans Affairs.
A cabinet-level Veterans’ Department will be able to better coordinate with the US Department for Veterans Affairs.			Probably true.
A cabinet-level Veterans’ Department will be able to better coordinate with the Pennsylvania General Assembly.			Probably true.
All veterans programs will be consolidated under one Department and veterans will be served to the same standard of fairness.			The assumption is that consolidation will improve service delivery, which is probably true. Additional, trained staff can indeed improve the level of federal benefits that Pennsylvania’s veterans receive from the federal government. However, this statement is true whether or not a new department is created.
Central management of veterans programs will improve their operation.			Probably true.
A new Department is unaffordable.			The cost to create a new Department estimated at between \$7.4 million for 85 additional positions or \$9.2 million for 111 positions. However, this amount

			appears justifiable in view of the amount of federal funding being received by other states.
Budget and Legislative Hearings specific to Veterans issues and funding resources			True and maybe an advantage, but it is difficult to determine how that differs significantly from the current relationship.
Office Space and facility requirements			Current costs for office space, storage, building maintenance etc. is already being born by DMVA. This includes custodial service, trash removal, on-site information technology services, facilities engineering services, messenger service, and free, on-site parking.
Legislative Liaison, Legal, Human Resources, Budget, Fiscal, Procurement, Contracting, Accounting support			Currently provided at no charge – staff will have to be created in a new Department.

B. Study Recommendations

A recurring finding throughout this study is that veterans' benefits are not uniformly or fairly administered across the Commonwealth. How a veteran seeking benefits gets treated should not be an accident of geography. Unfortunately, the current system makes that a virtual certainty.

Neither DMVA officials nor Veterans' Department advocates can wholly account for the regional differences in error rates and payments. But one factor may be the wildly varying quality of help that veterans receive in compiling the evidence of their disability from military and medical records, and then properly navigating the Veterans' Administrations thicket of rules and deadlines.

The network of USDVA-accredited service officers is a patchwork of well-meaning helpers whose training and expertise vary. By some estimates, two-thirds of the veterans who submit claims use service officers, and choosing the right one can determine whether they get the full payment they are due, a fraction of it, or nothing. The USDVA, through its national accreditation program, is supposed to ensure that all service officers are "responsible" and "qualified." But the VA program simply approves names submitted by veterans' groups.

The GVOAC staff does an excellent job with their limited resources, but because they are contractors and not state employees, they are prohibited from receiving accreditation as Veterans Service Officers. Moving them into the Department and on to the State payroll will help. However, if not done correctly, it could also put the small amount of federal (Wagner-Peyser) funds at risk.

The County Directors for Veterans Affairs are a more complicated situation. Since their County pays them, they are not responsible to the DMVA, nor would they be responsible to a new Department without a change to the County Code. Making them subject to a new Department does not make them more geographically responsive to the needs of our veteran population. Simply stated, the County Directors are too few in the populated counties and too abundant in the sparsely populated counties. Short of relocating them, they are not in a position to significantly improve their service delivery.

The LVMAC study found that payments to veterans with similar disabilities are not only inconsistent from state to state, but can vary from county to county within the state. This suggests that a veteran's chances of getting a good result may depend as much on the service officer who helps file the paperwork as on what happens in the VA office. DMVA must share the blame. Currently, DMVA has 4 people on staff whose job is to help disabled veterans file their claims. New Jersey, a state with less than half the veteran population as Pennsylvania, has 22 state employees for that purpose.

C. Recapitulation of Recommendations Made Throughout the Report

-- This study recommends the creation of a separate, cabinet-level Department for Veterans Affairs from assets belonging to the current Bureau for Veterans Affairs within the Department of Military and Veterans Affairs.

-- It is recommended that the Department recognize and support, but have no control over, the following commissions, councils and boards: The State Veterans' Commission, The War Veterans' Council, The Advisory Council organized at each State operated veterans' center, The Trustee organization for Scotland School for Veterans' Children, other veterans' councils and commissions that may be formed from time to time.

-- The Department establish and enforce standards for appointment as a State and County Veterans' Service Officer and that the Department be assigned responsibility for all non-federal veterans' programs administered within the Commonwealth, to specifically include the management, oversight and funding of the Governor's Veterans Outreach and Assistance Centers and that the new Department, if created, review possible changes to the County Directors of Veterans Affairs provision of the County Code.

-- Retain the Scotland School for Veterans' Children and restore its facilities to good working order.

-- Co-locate the new department with the Scotland School for Veterans' Children.

-- Should a Department for Veterans Affairs be created, it is recommended that appeals for denial of benefits under the department's many programs be addressed to the Secretary of the Department rather than to the Adjutant General as current law provides.

-- Educational Gratuity Program: Raise the monthly benefit to not less than \$750 per semester or term.

-- Blind Veterans' Pension: Raise the monthly benefit to not less than \$200 per month.

-- Paralyzed Veterans' Pension: Raise the monthly benefit to not less than \$200 per month. Monitor this program for increased participation and funding requirements.

-- State Veterans' Commission: Change Title 51 Pa.C.S. to permit service on the State Veterans' Commission to any honorable discharged veteran.

-- War Veterans' Council: Permit service on the War Veterans' Council to any honorably discharged veteran.

-- Governor's Outreach Assistance Center: Transfer the GVOAC to a new Veterans Affairs Department, if created, or immediately implement the 24 year old agreement with the DMVA.

Response to This Report



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
THE ADJUTANT GENERAL
BUILDING 0-47
FORT INDIANTOWN GAP
ANNVILLE, PENNSYLVANIA 17003-5002

February 16, 2007

RECEIVED FEB 20 2007

Philip R. Durgin
Executive Director
Legislative Budget and Finance Committee
Room 400, Finance Building
PO Box 8737
Harrisburg, PA 17105-8737

Dear Mr. Durgin:

The Department of Military and Veterans Affairs appreciates the opportunity to provide a written response to the draft report prepared by Defense Solutions, LLC. I applaud the General Assembly for its interest in the efforts of our Department. The legislature demonstrated great wisdom in directing your office to conduct a thorough, accurate and objective review of veterans' programs.

Unfortunately the vendor who drafted this report did not live up to expectations based on your office's reputation for professional, objective and dispassionate research on behalf of the legislature. The substance of this draft falls short of your high standards.

I want to make it clear that the problems I will outline regarding the draft report are purely that – problems with the report. This response does not represent any effort to protect bureaucratic turf or oppose the creation of a separate Department of Veterans Affairs. Throughout the development of this document, our actions to cooperate fully with the authors and your staff, I have made it clear that I, and the Department of Military and Veterans Affairs, are customers for this report. If a separate Department means that veterans will get better services and better support, then the concept is certainly worthy of positive action.

A point-by-point technical review of the report, which I would be pleased to provide upon request, would further call into question the report's findings and recommendations. I would, however, like to use this letter to discuss several serious concerns with this draft report. I believe these concerns call into question the contents of the entire document.

Manipulation of Statistics to Mislead the Legislature -- In spite of the fact that Pennsylvania ranked eighth among the states in 2005 for new compensation and pension claims, this fact of this impressive standing is absent from the report. Through our enhanced outreach, training and communications efforts working with county directors of veterans' affairs, we estimate that Pennsylvania veterans have received about \$53 million in additional benefits (new money) over the last three years. In addition, our focused efforts to help residents of our state

veterans' homes receive all the federal veterans' benefits they deserve has realized nearly \$4 million in new funding.

These facts were called to the attention of the authors of the draft report, but they omitted them. In spite of our improved efforts, the draft report uses statistics in a way that obfuscates the gains we have made. Pennsylvania ranks sixth highest among the states in terms of overall VA expenditures. But the report only informs the legislature of how our state compares by calculating the average of the total expenditures per veteran, even though many of these expenditures are not paid to individual veterans in Pennsylvania at all.

The total of VA expenditures in a state is not the only measure of the success of the state veterans' program. The authors neglect to mention the detailed and objective review of disparities among the states in receipt of VA benefits by the VA's own inspector general, which directly contradicts the commentary in the report. By emphasizing one statistical category to the exclusion of others, the draft report fails to provide an accurate picture of the very real progress we have made in recent years.

The author's failure to fully disclose all critical information regarding VA benefits versus expenditures could cause the legislature to be misled and most certainly indicates a lack of forthrightness, or completeness, with respect to the author's research.

Contradictory Statements that are the Basis of Core Arguments -- The authors say they believe there has been "a conscious, institutional policy of benign neglect" of issues related to obtaining larger per veteran average federal Department of Veterans Affairs (VA) expenditures in Pennsylvania. The results of our efforts speak for themselves and could not be characterized by any credible evaluator as benign neglect. In fact, to my point, on the same page where the authors blast our agency for "benign neglect," they describe me as "arguably the best friend that veterans have had in the post" of Adjutant General. It is impossible to reconcile this contradiction. This is just another example of the inherently manipulative nature of this report.

Illogical Conclusions That Are Not Fact Based -- The author makes a leap of logic, and, without any data, describes only three alternatives for analysis. The draft report limits what was supposed to be consideration of a wide array of options to three alternatives and designs the alternatives in way that preordains the conclusion. In this way, the draft report fails to shed any clarity on a real problem that requires action. Regardless of the facts regarding the structure of veterans' services in other states, and the relative impact those structures have on enhanced benefits for veterans, the author proclaims that Pennsylvania should create a new Department of Veteran Affairs.

The report contains a more detailed description of what it calls successful veterans' organizations in seven states (Florida, New York, North Carolina, Ohio, Texas, Virginia and West Virginia). It is notable that none of these states has the organizational structure that the

report insists is needed in Pennsylvania. Moreover, the report fails to look in detail at any of the other states with departments of veterans affairs headed by a secretary of veterans affairs who is a member of the Governor's cabinet.

The author's leap of logic, which finds a new department is necessary to ensure veterans get a greater share of VA resources, is patently unfounded. There is no one magic bullet to create and maintain successful veterans' programs. In Pennsylvania, there may very well be reasonable alternatives to improve veterans' services at the local and state levels. Attracting more federal VA benefits for our veterans may not require us to spend \$9 to \$10 million in annual additional costs for a new Department on top of \$7 to \$9 million in startup costs for such an agency. Ideas like increasing the number of state and local veterans' service officers within the existing department, increasing training, providing grants to local and veterans' organizations veterans' service offices to ensure they are more effective need to be considered and not just in the context of a separate Department of Veterans' Affairs.

Unfounded or Sloppy Budget Assumptions -- The budget numbers in the report provide no basis for the General Assembly to reach any meaningful conclusions about costs. In some ways the estimate of \$9 to \$10 million in annual operating costs for a new department seems to overstate the net costs to the Commonwealth of creating a new agency. In others cases, the cost estimates understate the startup costs for a new agency.

Failure to Implement Senate Resolution -- Recognizing the sweeping scope of the report it required, Senate Resolution 131 called for establishment of a "working group" to provide input. The working group consisted of representatives of DMVA, the State Veterans' Commission, the Department of Labor and Industry, the County Directors of Veterans' Affairs and the House and Senate Veterans' Affairs and Emergency Preparedness Committees. Defense Solutions failed to convene even a single meeting of this working group at any stage of this process. The vendor's failure to allow expert review of their approach to this report by a working group buttresses my view that this document falls far short of what the General Assembly expected when they directed this study.

While not the subject of this report, I would be remiss if I did not take this opportunity to share critical information with you regarding this Administration's efforts to support and protect our vets. Governor Rendell hosted two meetings with the State Veterans' Commission at his residence. These meetings, as well as the appearances of the Governor, myself and General Hengeveld before our veterans' organizations, demonstrate a clear commitment to working with our veterans.

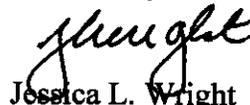
Governor Rendell and I were both strong advocates for the "Vote Yes for Vets" effort that resulted in overwhelming voter approval of funding for the Persian Gulf Conflict Veterans Benefit Act last November. A similar ballot question was disapproved by voters in 1993, but our advocacy efforts and those of the veterans' organizations were successful in 2006.

Based upon the input of the veterans' organizations at the meetings with the Governor, Governor Rendell announced a "Support our Veterans" initiative, and two out of the three bills in that package were signed into law. In addition, legislation to create a WWII Merchant Marine Veterans' Bonus was signed into law, and my Department implemented it without additional staff. We have processed more than 1,000 applications, paying out \$500,000 in bonus payments, with more pending.

What's more, many of the elements of the Governor's "Support our Troops" initiatives support soldiers who have become veterans by completing active service and returning from deployments. The General Assembly approved 16 separate pieces of legislation in this area in the last session. We have advocated for veterans programs and veterans benefits publicly in a number of forums, and privately within the halls of state government.

My disappointment with the report is that it fails to provide the much-needed objective analyses of these issues. There is nothing wrong with advocating for a separate Department or any other organizational structure, but this draft report is not the place for such advocacy if it is going to meet the requirements and expectations of the General Assembly. Our veterans deserve the very best programs and services that a grateful nation and Commonwealth can provide in an effective and efficient manner. When it comes to a report on how to best organize government to provide those services, our veterans deserve better than this draft.

Sincerely,



Jessica L. Wright
Major General, PAARNG
The Adjutant General



**COMMONWEALTH OF PENNSYLVANIA
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August 21, 2007

The Honorable John Pippy
Senate of Pennsylvania
Chairman
Legislative Budget and Finance Committee
Room 168, Main Capitol
Harrisburg, PA 17120

Dear Senator Pippy:

I appreciate the opportunity to supplement my February 16, 2007, letter to the Legislative Budget and Finance Committee concerning the submission of Defense Solutions, LLC, titled "A Comprehensive Study and Review of Veteran Services in Pennsylvania." I remain concerned that Defense Solutions report is work of advocacy rather than objective analysis. The study called for by Senate Resolution 131 was a huge undertaking that demanded careful analysis, strict objectivity, and input from our veterans' organizations and their leaders in a carefully structured process described in the resolution itself. I continue to believe the Defense Solution report misses the mark in its tone, content and overall approach. The failure to convene even a single meeting of the Workgroup called for in the resolution remains a matter of concern.

I don't want to revisit all my observations from February, but I do want to bring the Committee up-to-date on some recent developments. Although the Defense Solutions report's executive summary devotes a great deal of attention to federal Department of Veterans Affairs expenditures, it does not focus on state veterans' programs. They are, of course, described to some extent elsewhere in the report. When it comes to administration of our state veterans' homes programs or Scotland School for Veterans' Children, or our state veterans' benefit programs, we are making significant strides. We show that Pennsylvania cares for its veterans and their families in many ways every day. I have attached a brief summary of some of the important progress we are making in the state veterans' programs administered by the Department (TAB 1).

Under the leadership of Brigadier General Cecil Hengeveld, Deputy Adjutant General for Veterans' Affairs, our state veterans' programs are being run efficiently and effectively in a caring manner. We have taken on new programs, such as the Merchant Marine WWII Veterans' Bonus and the Persian Gulf Conflict Veterans' Benefit Program. The General Assembly has made improvements to the Real Property Tax Exemption Program for certain disabled veterans and their unmarried surviving spouses. We implemented them in the past year resulting in hundreds of more disabled veterans qualifying for the exemption. In all these

areas, what we have accomplished, working with Pennsylvania veterans' organizations and the General Assembly, represents a fulfillment of our promise to veterans and their families.

The Defense Solutions report focused most of its arguments on comparing total federal Department of Veterans Affairs (VA) expenditures in Pennsylvania to such expenditures in other states. The use of the VA's so-called Geographic Distribution of Expenditure (GDX) statistics by the authors of the Defense Solutions report failed to yield an accurate objective picture. By using total expenditure statistics to yield supposedly large numerical benefits, Defense Solutions overlooked the very real progress we are making when it comes to the actual federal benefits paid to veterans in Pennsylvania.

A more pertinent VA statistic relates to compensation and pension claims (C&P). Unlike the GDX totals used by Defense Solutions, these are VA benefits that are paid to veterans who have applied for them. The overall C&P statistics show results of claims generated over a period of 60 years involving veterans who served in the 20th and 21st centuries.

A more telling statistic, largely overlooked by Defense Solutions, relates to new claims filed over the last few years. As I pointed out in my February letter, Pennsylvania recently ranked 8th highest among the states in these new V.A. compensation and pension claims. Veterans' service officers assigned to the Department of Military and Veterans Affairs assisted veterans in realizing awards totaling \$55.9 million in the last three fiscal years. And a focused effort at our state veterans' homes resulted in awards of about \$4.8 million to residents of our facilities.

When veterans are assisted by well-trained and capable veterans' service officers (VSOs) in filing their C&P claims, they ordinarily receive much higher federal awards recognizing all aspects of their service-connected disabilities. We want to build on the success of our veterans' service officer programs. Recognizing the importance of veterans' service officer assistance to our veterans, DMVA is adding six additional veterans' service officers to our complement to better serve our veterans.

Not only has DMVA enhanced its veterans' service officer capabilities, so, too, have Pennsylvania veterans' organizations developed an innovative approach to improve and expand their full-time veterans' service officer programs. First announced at a luncheon with Governor Ed Rendell and Auditor General Jack Wagner on May 3 of this year, the major statewide veterans' organizations are supporting an initiative for state grants to support their full-time veterans' service officer programs.

The veterans have been working with Senator Lisa Baker, Chair of the Senate Veterans' Affairs and Emergency Preparedness Committee, on legislation to authorize this effort. Senate Bill 915, sponsored by Senator Baker with an impressive array of 49 co-sponsors, amends the Pennsylvania Military and Veterans Code (Title 51 of the Pennsylvania Consolidated Statutes) to provide support for accredited veterans' service officers employed by designated statewide veterans' organizations. This effort, endorsed by the War Veterans Council and the State Veterans' Commission, once again demonstrates the can-do spirit that epitomizes our veterans' programs here in Pennsylvania. It focuses on the direct federal veterans' benefits where we

know that well-qualified accredited service officers holding powers of attorney (POAs) for the veteran applicants can and do make a major difference.

The percentage of Pennsylvania veterans receiving federal VA compensation and pension payments and the average amount of such payments are important issues, and we are addressing them. The Rendell Administration, working with the General Assembly, has undertaken appropriate and focused efforts to make real improvements in the area of effective representation of veterans by holders of powers of attorney. The new veterans' service officers that DMVA is bringing on board, and the grants to support the veterans' service office programs of our statewide veterans' organizations, are strong evidence of these ongoing efforts. And the statistics I cited above about Pennsylvania's relatively high ranking in new claims show that our efforts are making a positive difference. These improvements and these innovative approaches belie allegations that Pennsylvania veterans' programs are victims of "benign neglect." To the contrary, they show we have a strong state veterans' program that is committed to providing the best possible services to Pennsylvania veterans.

In addition to missing a good deal of evidence about new compensation and pension claims in Pennsylvania and new efforts to make further improvements, Defense Solutions essentially dismissed out of hand the strong evidence that demographic factors play a significant role in explaining variances among the states in veterans' benefit payments. The authors of the report failed to cite the 2005 report of the U.S. Department of Veterans Affairs Inspector General¹ despite the fact that it was called to their attention and related directly to one of the premises of their report. A copy of the VA IG report is attached at TAB 2. The Inspector General observed:

Differences in average annual compensation payments by state is not necessarily indicative of a problem. For every state to have similar average payments, every factor that affects payments would have to be virtually identical within each state. Statistically, this would be unachievable. There are numerous factors that affect payments by state. Some of these are veteran demographic factors that are generally beyond VA influence, such as the percentage of military retiree populations in each state. Because of these factors, some variance is to be expected.

The U.S. Department of Veterans Affairs followed up on the Inspector General's report by hiring an independent firm, the Institute for Defense Analysis (IDA), to prepare a report on the "Analysis of Differences in Disability Compensation in the Department of Veterans Affairs." The IDA report is attached at TAB 3. Because the final IDA report was only released recently, it obviously was not available to Defense Solutions. This report involves somewhat complex statistical analyses resulting in some conclusions that differ in some respects from those in the Inspector General's report. The overall conclusions buttress the view that

¹ Department of Veterans Affairs, Office of Inspector General, "Review of State Variances in VA Disability Compensation Payments," Report No. 05-00765-137 (May 19, 2005).

demographic factors do indeed wield significant influence in the variations in average disability compensation and in the percentage of veterans receiving compensation.

The more intensive analyses conducted by IDA showed, for example, that the receipt of maximum awards (100% disability or Individual Unemployability (IU)) is the most significant factor affecting variation in VA awards across the states. Other factors that were found significant include the mix of claims involving post-traumatic stress disorder (PTSD), power of attorney representation (such as by veterans' service officers), and period of military service. In terms of the variation in the percentage of veterans receiving compensation, military retirement status was found to be the most significant factor. Differences among the states in the percentage of military retirees alone accounts for over 40% of the variation in the percentage of veterans receiving compensation.

With regard to the demographic factors identified in the IDA report, Pennsylvania would be expected to have lower average awards and a lower percentage of veterans receiving compensation than some other states. For example, while 18.42% of Virginia veterans are military retirees and 10.66% of Texas veterans are military retirees, only 4.17% of Pennsylvania veterans are retirees. The national average of veterans that are military retirees is 8.06%. The IDA report observed that the period of service is a predictive factor nationwide, and that Vietnam veterans receive average annual awards of \$11,670, while non-Vietnam veterans receive \$7,410. Pennsylvania has the sixth highest concentration of WWII veterans (24.2%) and thirteenth lowest concentration of Vietnam veterans (33.5%). Although the Defense Solutions report dismissed these kinds of demographic factors, they are important.

Representation of veterans who file their claims by a service officer holding the veteran's power of attorney (POA) is a significant factor. The IDA report indicates that, nationwide, veterans with POA representation receive annual average awards of \$11,162 while those with no POAs receive an average of only \$4,728. As pointed out above, the Commonwealth is advancing efforts to enhance the veterans' service officer programs on several fronts. By targeting areas where we can make a difference, we are making our veterans' programs even better.

Neither Defense Solutions nor the IDA report cites evidence to show that the organizational structure of state government is a statistically-significant factor in the variation among the states. The IDA report indicates the state average VA compensation in 2005 ranged from more than \$12,000 in New Mexico to less than \$8,000 in Ohio. Defense Solutions indicates that New Mexico has a veterans' commission with a director, which, of course, is not the organizational structure the report recommended for Pennsylvania. What's more, the data indicate that the observed variation across the states has existed for at least the past 35 years.

I will only point out one more example where I believe the statistics in the Defense Solutions report fail to paint an objective picture. The report says that, as a result of the resource constraints related to qualified staff to assist veterans with their federal claims, "Pennsylvania ranks in the bottom one-quarter of all states in receipt of federal funding for

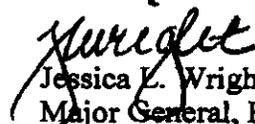
veterans' programs." This statement shows how the authors tried to use statistics to advocate for a particular position. This statement is clearly untrue when read literally, since Pennsylvania, with the fifth largest veterans' population in America, actually ranks sixth highest in receipt of total federal funding for veterans' programs. In looking at total VA expenditures, Pennsylvania already is well above the national average. On average, states received about \$1.35 billion each in federal VA expenditures in FY 05. The VA's total expenditures in Pennsylvania (\$2.6 billion) were about twice the national average.

It is only when one reads more of the Defense Solutions argument that it becomes clearer that the characterization of Pennsylvania's relative ranking and the calculation of supposed economic impacts refers to total federal VA expenditures (GDX) calculated as a per veteran average and multiplied by the number of veterans and then multiplied again by an economic multiplier. In this part of the report, Defense Solutions does not use the more pertinent statistics on compensation and pension claims nor does it consider trends of new claims or demographic influences, described in detail in the VA reports cited above. A more careful analysis would surely at least have referred to these issues.

In closing, I want reiterate what I said in my February letter. Throughout the development of the Defense Solutions report, members of my staff have cooperated fully with the authors of the report and the LBFC staff. From the first draft to the final version, my concerns have focused on the tone and content of the Defense Solutions report in terms of its rhetoric, its use of statistics, its methodology for estimating costs of a new state agency, and its failure to effectively include input from our veterans. If a separate Department means that veterans will get better services and better support, then the concept is certainly worthy of positive action. The problem is that this report fails to pull together the kind of substantive factual objective information to support its conclusions and recommendations.

Thank you again for the opportunity to provide this information to supplement my earlier submission.

Sincerely,


Jessica L. Wright
Major General, PAARNG
The Adjutant General

TAB 1

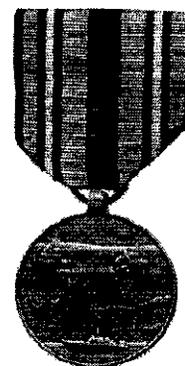
Department of Military and Veterans Affairs
Office of the Deputy Adjutant General for Veterans' Affairs

*Information about Pennsylvania Veterans' Programs
for the
Legislative Budget and Finance Committee
August 2007*

Veterans' Services

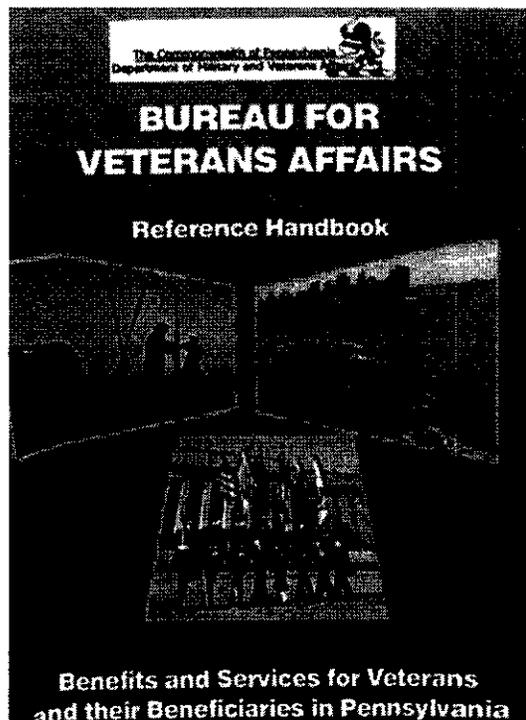
- **Veterans Meetings with Governor Rendell** – The senior leaders of Pennsylvania's veterans organizations have had unparalleled opportunities to meet with Governor Ed Rendell and his senior staff. Governor Rendell has hosted three luncheon meetings for leaders of Pennsylvania veterans' organizations over the last few years, and he has taken action to respond to and implement their suggestions. The Adjutant General and Deputy Adjutant General for Veterans' Affairs have been active participants in these meetings with the Governor as well as the regular meetings of the State Veterans' Commission and the Advisory Councils to the state veterans' homes.
- **Veterans' Service Officer Programs** – Recognizing the importance of effective assistance to veterans who file compensation and pension claims with the U.S. Department of Veterans Affairs (VA), we are continuing to extend our service officer program. DMVA is hiring six additional veterans' service officers who can represent veterans as holders of their powers of attorney (POAs) when they submit claims. Nationwide statistics show that the claims of veterans with POAs are likely to receive substantially higher benefit awards than those who are not represented by POAs. The average amount of a compensation and pension award of a represented veteran is more than 2.5 times greater than the award to a non-represented veteran (\$11,162 vs. \$4,728).
- **Veterans' Service Officer Activities** – Veterans' service officers assigned to the Department of Military and Veterans Affairs assisted veterans in realizing awards totaling \$55.9 million in the last three fiscal years. And a focused effort at our state veterans' homes resulted in awards of about \$4.8 million to residents of our facilities.
- **VSO Training and Outreach** – Working with the County Directors of Veterans Affairs and the VA, our Bureau for Veterans' Affairs has made major strides in increasing the number of "ready to rate" claims being submitted from Pennsylvania veterans. These training and outreach efforts have been successful not only in helping to improve the quantity and quality of claims for compensation and pension in Pennsylvania, but also in improving the cross-feed and exchange of information among all those involved in serving veterans.
- **New Compensation and Pension Claims** – As we extend our VSO outreach and training efforts, the average amount of new compensation and pension claims has increased. For example, in a recent year, the VA reported that the average C&P claims in Pennsylvania were 8th highest in the country. Although there is some variability in the average awards, Pennsylvania has consistently ranked in the top portion of states in new claims in recent years.

- **Veterans' Service Officer Grant Program** – DMVA is working with the General Assembly and our statewide veterans' organizations on the design and implementation of an innovative new grant program to support the veterans' service office programs of designated veterans' organizations. Senate Bill 915, sponsored by State Senator Lisa Baker with unanimous bipartisan co-sponsorship in the Senate, will set the parameters for this program. The 2007-08 Commonwealth budget includes some funding for the start-up of this grant program.
- **Veterans' Service Office Improvements** – In addition to hiring six additional VSOs at the state level, DMVA has made improvements to the locations where our VSOs work. These include
 - New Office, Computers and Furniture in Pittsburgh
 - New Computers and Furniture in Philadelphia
- **Women veterans' representatives in Philadelphia and Pittsburgh** – DMVA has recognized the need for representatives of women veterans at our Philadelphia and Pittsburgh offices.
- **Disabled Veterans Real Property Tax Exemption Program** – The Bureau for Veterans' Affairs and the State Veterans' Commission have worked together effectively to implement the provisions of Act 161 of 2006, which expanded financial need eligibility for the real property tax exemption program for certain disabled veterans and their unmarried surviving spouses. Since the new law took effect, the number of properties on the tax exemption rolls has increased from 1,970 in December 2006 to 2,356 today. About 400 additional applications are pending.
- **Other State Veterans' Benefits Programs**– Working with a small but highly dedicated staff, the Bureau for Veterans' Affairs continues to make strides in the other state veterans' benefit programs under its jurisdiction including the veterans' emergency assistance program, the educational gratuity program for children of disabled and deceased veterans, the blind veterans' pension program and the paralyzed veterans' pension program.
- **Merchant Marine WWII Veterans' Bonus** – The General Assembly enacted Act 22 of 2006 to provide a \$500 bonus payment to Merchant Marine Veterans of World War II. This bill was passed in April and \$500,000 was appropriated to fund the bonus payments in May. DMVA staff created the documents and application forms to implement this program in record time, with no additional staff and no additional funding to cover administrative costs. DMVA has processed and paid claims totaling \$585,000 to all 1170 eligible merchant mariners. The General Assembly is currently considering legislation to extend the eligibility dates for this program.
- **Persian Gulf Conflict Veterans' Benefit Program**. On a much larger scale than the Merchant Marine Bonus, the General Assembly approved Act 29 of 2006 to provide for a bonus payment for veterans of the Persian Gulf conflict, which took place in 1990 and 1991. Working with the veterans' organizations, Governor Rendell, the Adjutant General and Deputy Adjutant General for Veterans' Affairs worked hard to advocate for voter approval of the bond funding for this new program. Even though the voters had once before rejected funding for this bonus, it earned overwhelming support in November 2006. We are now in the implementation phase for the Persian Gulf Conflict bonus. It is estimated that about 33,000 Pennsylvania veterans will be eligible for bonus payments under this program. And, not surprisingly, they are anxious to receive their money. We've issued a Request for Proposals for a vendor to assist in implementation of this program, and proposals

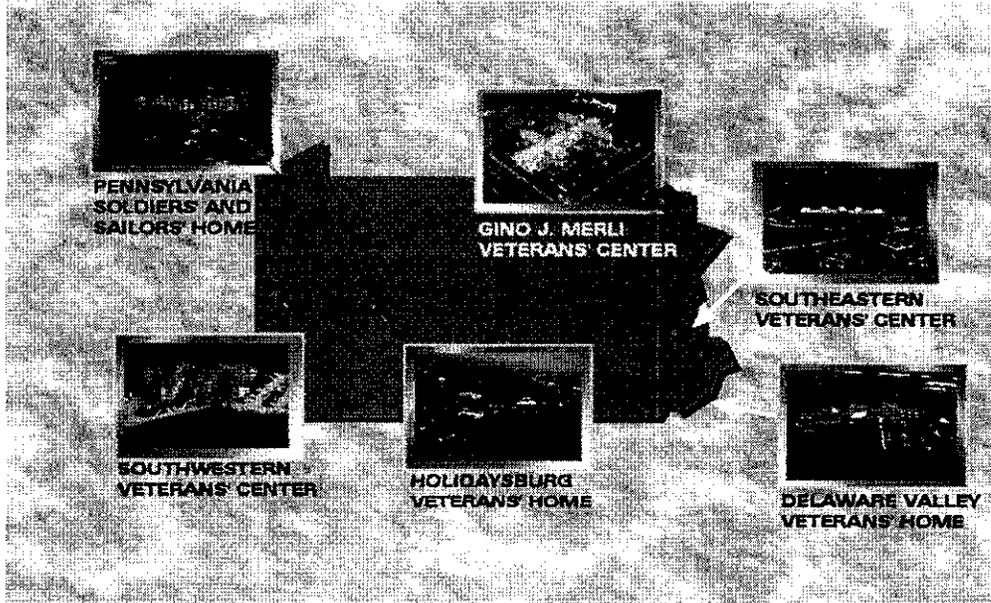


are currently undergoing review. We expect that we will begin accepting applications in November or December of this year and we hope to make the first payments before the end of 2007 or early 2008.

- **Veterans' Outreach** – DMVA has published a handy pocket-sized "Reference Handbook" on veterans' services in Pennsylvania. This handbook has won overw helming positive feedback from users who have found its content and its format extremely useful.
- **Website** – DMVA is developing its website as a vital portal for veterans' information and services. The new site at www.paveterans.state.pa.us contains scores of links to important information. The website describes federal, state and local sources of assistance and information for our veterans.



PENNSYLVANIA'S STATE VETERANS' HOME SYSTEM
Report to the Legislative Budget and Finance Committee
 August 2007



Pennsylvania's State Veterans' Home system continues to make substantial strides in providing services to Pennsylvania veterans and their spouses in need of nursing, dementia/ Alzheimer's and personal/domiciliary care.

Our six veterans' homes provide a total of 1,600 beds, of which more than 90% are filled on a daily basis. Here are the statistics as of June 30, 2007:

Home	Beds Nursing	Filled	%	Beds	Filled	%	Beds	Filled	%	Beds	Filled	%
				Dementia			Pers Care/ Dom			Total Beds		
PSSH	75	74	99%	Note 1	N/A	N/A	100	77	77%	175	151	86%
HVH	321	307	96%	26	23	88%	167	136	81%	514	466	91%
SEVC	160	153	96%	32	27	84%	112	91	81%	304	271	89%
GMVC	160	156	98%	24	22	92%	16	16	100%	200	194	97%
SWVC	160	159	99%	44	43	98%	32	32	100%	236	234	99%
DVVH	100	98	98%	30	30	100%	41	41	100%	171	169	99%
Totals	976	947	97%	156	145	93%	468	393	84%	1600	1485	93%

Notes

1. PSSH wil open a new 32-bed dementia unit in September 2007

This report will outline some recent and pending developments with regard to our State Veterans' Homes:

- **Dementia/Alzheimer's care** – On September 7, 2007, we will cut the ribbon on the newest addition to our veterans' home system the Dementia/Alzheimer's care unit at the Pennsylvania Soldiers' and Sailors' Home (PSSH) Construction in Erie. The opening of this 32-bed unit will mean that all six of our veterans' home will have dementia/ Alzheimer's care capabilities with a total of 212 beds dedicated to such care for veterans.
- **Needs Assessment and Feasibility Study** – Because the Defense Solutions report to the Legislative Budget and Finance Committee failed to assess the need for a seventh veterans' home for Pennsylvania or to look at the feasibility and possible location for such a home, DMVA is seeking proposals for an independent study of the needs for veterans' home care and related issues.
- **Veterans' Home Efficiency** – The Commonwealth is in the process of implementing recommendations to make further improvements in the efficiency and effectiveness of our state veterans' home system.
- **Single Appropriation** – The Commonwealth has implemented a single appropriation for the six veterans' homes. Full integration has allowed us to strategically re-allocate monies and personnel among the facilities in an efficient manner.
- **Staffing Improvements**. Through the single appropriation, we have identified positions that are more appropriately placed here at the headquarters of the State Veterans' Homes system. We've allocated existing complement positions to coordinate construction and renovation projects, coordinate safety, budgetary planning and run special projects for the homes. Our quality assurance/risk management director has implemented several programs geared towards the measurement, tracking and trending of our homes' quality indicators against the industry, and against each other. We also allocated positions to oversee the construction and maintenance programs and assist in purchasing. All these actions are designed to continue to improve the efficiency of our state veterans' home system and assist our veterans.
- **Waiting List Policy** – We've made changes to our waiting list policy to streamline and improve the admissions process. Our goal is that we should admit someone from the waiting list within a five-day period of a bed becoming available. This has increased the number of bed days of care by 3,399 over the previous years' same seven-month period.
- **Climate Assessment / Climate Improvement** – We've continued to work with the Office of Administration Bureau of Management Consultants to complete a systematic staff wide Climate Assessment at each Veterans Home, followed up with a staff-driven Climate Improvement Program.
- **Mock Survey Program** – We implemented a peer review program designed to identify system wide best practices and identify areas of improvement.
- **Family Satisfaction Survey** – The homes have completed a family satisfaction survey of family member of each Skilled Nursing resident. The survey achieved over 92 percent overall family satisfactions for the system of homes.
- **Standardized Quality Improvement Program** – We have implemented a program to utilize supportable data to identify areas to improve, and measure successes in order sustain gains made in the quality of care.

- Standardized ULTRACare Electronic Records System – By moving toward the standardization of the electronic record keeping the homes system has worked to become more efficient, resulting in accessible and accurate resident records and data.
- Upgraded to ULTRACare Version 15 – During the recent migration to the latest version of our electronic medical records software program the homes, in conjunction with the Department IT office, were able to improve the speed and increase the stability of the configuration of the computer system.
- Hollidaysburg Veterans' Home West 2 Renovation - Hollidaysburg Veterans' Home completed renovation of a 26-bed Skilled Nursing Wing enabling residents to be cared for in the least restrictive environment to meet their needs.
- Southeastern Veterans' Center (SEVC) Proposed Addition – SEVC completed the initial plans for the future construction of a wing to house Skilled Nursing and Dementia Residents that will allow for the relocation of the Personal Care/Domically program to Coates Hall.
- Continuous refinement of the Five-Year Plan that identifies needs and allows planning and appropriations for acquisition of fixed assets, minor construction, furniture, fixtures and equipment.
- Development and refinement of our construction and maintenance planning and processes have allowed DMVA to respond effectively to state veterans' home facility needs.

Scotland School for Veterans' Children



Located at Scotland, Pennsylvania in Franklin County (near Chambersburg), Scotland School for Veterans' Children (SSVC) offers a unique residential educational experience for children in grades 3 through 12. Eligibility for admission is based on consideration of how the student will perform on both the academic and residential aspects of life at Scotland School, as well as a relationship to an eligible veteran. Scotland School has about 300 students each year. Since the Department of Military and Veterans Affairs assumed responsibility for Scotland School in 1996, we have undertaken a major effort to improve the physical plant and academic and residential environments at this institution.

The following bullets summarize some recent developments at Scotland School:

- In June 2007, Scotland School graduated 42 students, and 38 plan to attend college.
- SSVC's JROTC Battalion earned Honor Unit with Distinction (highest level) 10 of past 12 years.
- SSVC met all 13 Adequate Yearly Progress benchmarks required by "No Child Left Behind" during SY 05/06 and 06/07.
- SSVC was recommended for accreditation by the Middle States Association for Colleges and Schools during its March 07 evaluation.
- SSVC is developing a school-wide informational database, email capability for parents, and a school website. SSVC now has computer education at every grade level.
- SSVC has undertaken a complete rewrite of policies and procedures, including wellness and bullying policies, the development of a student/parent handbook and taken positive action to improve communications with parents and students.
- A partnership with Shippensburg has resulted in many mutually beneficial exchanges, such as training for house parents in child behavior, computer literacy, tutoring provided by SU education majors to Scotland students, and sensitivity training to both SSVC faculty and house parents.

- SSVC installed 4 "Smart Classrooms" to include a smart board, ceiling-mounted projector, DVD/video, surround sound, and computer with internet access for use in expanding the teaching environment
- SSVC has undertaken major facility improvement projects to upgrade facilities at the school.
 - A \$4.1 million renovation of the Main School Building was completed
 - Construction funds for the renovation of the Power Plant and secondary fuel system has been released.
 - Energy Savings Project of \$10 million is complete and cost will be paid off over 15-years from energy savings. This project enabled completion of maintenance projects that would have had to compete for scarce capital funds.
 - SSVC completed a \$650,000 upgrade to fire alarm system and hired a fire and safety marshal for the School.
 - \$4.2 million has been committed for construction of renovation to Curtin Hall and 10 student resident cottages.
 - Design for an \$8.8 million renovation to the gym, student center and 13 cottages began Aug 06.

- Current SSVC 5-yr Capital Budget Plan:

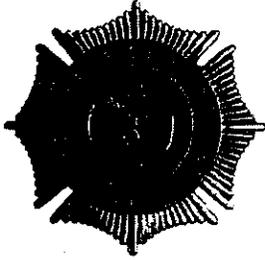
DGS Project 415-33/34/35:	\$1.3 million
DGS Project 415-37/ Package 2:	\$4.2 million (Construction Phase)
DGS Project 415-38/ Package 3:	\$8.8 million (Design Phase)
DGS Project 415-39/ Package 4:	<u>\$2.6 million</u>
	\$16.9 million

- SSVC has purchased new equipment, furniture and fixtures to improve the environment for students and staff at SSVC.
- The Scotland School Foundation and veterans' groups and volunteers continue to provide outstanding services to students at Scotland School.
 - The American Legion Scholarship Award Meeting was held in April 2007. Twelve seniors were each awarded a \$1,000.00 scholarship
 - The Foundation for the Scotland School for Veterans' Children constructed a new pavilion and renovated the swimming pool which had been closed for 5 years.
 - The Sons of the American Legion refurbished the school's Bowling Alley.
 - Sixty-nine scholarship and gifts donated by Pennsylvania veterans' organizations were awarded to the seniors or to the school.
 - Chambersburg Rotary provided dictionaries to all 3rd & 4th graders.

**Legislation of Importance to Pennsylvania Servicemembers
Veterans and Families**

Enacted in 2005-06 Session of the Pennsylvania General Assembly

1. Act 182 of 2006 (SB 1139 (PN 2249)) Exempts pay for state active duty for emergencies from state income tax.
2. Act 161 of 2006 (HB 2296 (PN 4944)). This bill provides for license/professional certification and continuing education requirements for deployed soldiers. **Extends the interval between periodic reviews of need for the real property tax exemption from 2 to 5 years and creating a rebuttable presumption that a veteran/spouse with income of \$75,000 or less has a need for the exemption.**
3. Act 150 (SB1266). Provides additional paid military leave to Commonwealth employees for certain active duty, not for training. Corrects an inequity in the earlier law (Act 62 of 2005) that excluded some Guard service.
4. Act 105 of 2006 (SB 1043). Provides state reimbursement for SGLI premiums for Guard soldiers in combat zones and provides tuition credits for unmarried surviving spouses of soldiers killed in action.
5. Act 87 of 2006 (HB 2437). Increases Education Assistance Program (EAP) grants for part-time students.
6. Act 44 of 2006 (SB 1081). Extends eligibility for EAP grants for soldiers disabled in line of duty.
7. Act 29 of 2006 (HB 1821). **Persian Gulf Veterans' Compensation Act. Funding approved by voters on November 7, 2006.**
8. Act 24 of 2006. Clarified authority for State Active Duty in Emergency Management Assistance Compact (EMAC) situations.
9. Act 22 of 2006 (HB 58). **Merchant Marine WWII Veterans Bonus.**
10. Act 83 of 2005. Extended health care coverage for full-time students returning from duty.
11. Act 82 of 2005. Extended the time for soldiers return from deployment to use EAP grants.
12. Act 62 of 2005. Additional paid military leave for Commonwealth employees ordered to active duty, not for training, under certain circumstances.
13. Act 60 of 2005. Prohibits penalties for deployed soldiers with deferred motor vehicle insurance coverage.
14. Act 59 of 2005. Increases death benefits for survivors of soldiers killed during State Active Duty.
15. Act 40 and Act 65 of 2005. Establishes the Military Family Relief Assistance Program.
16. Acts 20 and 21 of 2005. Reduced price hunting and fishing licenses for soldiers returning from deployments.



**Department of Veterans Affairs
Office of Inspector General**

**Review of
State Variances in VA
Disability Compensation Payments**

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Executive Summary

Introduction

In December 2004, the *Chicago Sun-Times* ran a series of articles highlighting low disability compensation payments for Illinois veterans compared to national data. In reaction to these articles, Congressman Dennis Hastert, Speaker of the House of Representatives; Congressman Lane Evans, Ranking Member of the House Veterans' Affairs Committee; and numerous other members of the Illinois congressional delegation sent a December 10, 2004, letter to the Secretary of Veterans Affairs requesting a review of all factors that could be contributing to the disparity experienced by Illinois veterans as compared to veterans in other states. In response, the VA Secretary requested that the Office of Inspector General (OIG) determine why there are differences in the VA's average monthly disability compensation payments made to veterans living in different states. Since then, Senators Richard J. Durbin and Barack Obama have also expressed interest in this issue.

Historical Perspective

A *Chicago Sun-Times* article presented the fiscal year (FY) 2003 ranking of average annual disability compensation payments by state. This particular ranking, obtained from the Veterans Benefits Administration (VBA), reflects an average rollup of all claims decisions made over several decades, which are still being paid. Illinois ranked 50th. Our review of more recent data for new claims decisions during the past 6 years shows that Illinois moved in state ranking from 44th in FY 1999 to 23rd in FY 2004.

Historical data for the 6-year period shows that the national variance from the low to high states increased from \$3,383 in FY 1999 to \$5,043 in FY 2004. In contrast, data for new claims decisions showed the variance increased from \$2,915 in FY 1999 to \$6,054 in FY 2004. For FY 2004 claims, New Mexico had the highest average annual amount of any state at \$11,206. Merely removing New Mexico from the new claim state ranking reduced the national variance from \$6,054 to \$3,284, suggesting that state may be cause for concern.

Differences in average annual compensation payments by state is not necessarily indicative of a problem. For every state to have similar average payments, every factor that affects payments would have to be virtually identical within each state. Statistically, this would be unachievable. There are numerous factors that affect payments by state. Some of these are veteran demographic factors that are generally beyond VA influence, such as the percentage of military retiree populations in each state. Because of these factors, some variance is to be expected. On the other hand, there are factors that affect compensation payments that VA has direct influence over, such as disability rating

decisions. A more definitive question is whether the magnitude of the variance from the highest average state payment to the lowest average state payment is within acceptable limits. The objective of this review was to determine why the variance exists and whether there is cause for concern.

Review Methodology

To accomplish our objective, we identified more than 20 possible demographic and benefit rating factors that might affect the average amount of disability compensation payments by state and extracted 6 years (FYs 1999–2004) of data from VBA information systems in order to analyze these factors. After analyzing and trending this data, we concluded that, because the majority of state average payments fell within a normal deviation from the national average payment, a detailed review of all states would not be beneficial in helping to explain whether the full range of the variance was problematic. Therefore, we selected two clusters of states—one cluster representing the six states with the highest average compensation payments and one representing the six states with the lowest payments. We then analyzed the demographic and claims processing factors to determine the extent to which these factors impacted the FY 2004 variances.

We also issued a questionnaire to 1,992 VA regional office (VARO) rating specialists and decision review officers (DROs) to gain their perspective on training and issues that affect the rating of disability claims. We evaluated 2,100 post-traumatic stress disorder (PTSD) claims folders at 7 VAROs, including 3 in the high cluster and 2 in the low cluster. We reviewed the quality and consistency of medical examinations used to support disability rating decisions, and we assessed the effectiveness of the VBA Statistical Technical Accuracy Review (STAR) program in identifying and reducing certain types of processing errors in rating decisions. We reviewed prior internal and external studies conducted during the last 50 years that addressed similar issues. Although many of these studies identified concerns with inconsistent rating decisions, the situation still exists. Previous and ongoing OIG investigative efforts involving benefits fraud were also considered as a factor impacting the amount of disability compensation payments.

FY 2004 State Ranking

For FY 2004, approximately 2.5 million veterans in the 50 states received disability compensation benefits totaling \$20.9 billion.¹ Based on the historical state ranking data, the national average annual payment per veteran was \$8,378. Average annual payments by state ranged from a low of \$6,961 to a high of \$12,004, for a variance of \$5,043. Following are the clusters of states with the highest and lowest average annual payments:

¹ Does not include veterans paid through the District of Columbia, San Juan, and Manila Regional Offices.

<u>High Cluster</u>		<u>Low Cluster</u>	
New Mexico	\$12,004	Indiana	\$7,287
Maine	11,626	Michigan	7,241
Arkansas	10,968	Connecticut	7,204
West Virginia	10,866	Ohio	7,039
Oklahoma	10,697	New Jersey	7,028
Oregon	10,277	Illinois	6,961
Average	\$11,073	Average	\$7,127

Comparing the high cluster average of \$11,073 to the national average of \$8,378 shows a variance of \$2,695. The low cluster average is \$1,251 below the national average. Preliminarily, this suggests that the high cluster may be more problematic than the lower ranked states.

Demographic and Benefit Rating Factors

The following demographic and benefit rating factors help explain the variances in state average annual disability compensation payments. Demographic factors are variables that VA has virtually no control over. Our review shows that many of these variables have a correlation to the ranking of compensation payments by state. These factors support the presumption that some part of the variance is predictable and valid.

- **Power of Attorney Representation.** Data indicates that veterans whose claims are represented by veterans service organizations receive, on average, \$6,225 more per year than those without representation. There is also a correlation between state ranking of compensation payments and the percentage of representation in that state. For example, the high cluster of states shows an average representation of 69.5 percent, while the low cluster averages 54.7 percent representation.
- **Enlisted versus Officer.** On a national level, data indicates that enlisted veterans average \$1,775 more per year than veterans who served as officers. There is also a correlation between the state ranking and the percentage of enlisted personnel. For example, the high cluster shows an average of 63.4 percent enlisted personnel receiving compensation benefits compared to the low cluster, which shows 44.4 percent enlisted personnel receiving benefits.
- **Military Retirees versus Non-Military Retirees.** Data indicates that military retirees receive \$1,438 more per year than non-military retired claimants. Our analysis shows that states with a higher percentage of retired military veterans are ranked higher in terms of average annual disability compensation payments. For example, the high cluster averages 27.6 percent retired military veterans receiving compensation benefits compared to the low cluster, which averages 16.6 percent military retirees.

- **Participation of Veterans Receiving Benefits.** Data indicates a correlation between the state ranking and the percentage of veterans who reside in a state and who receive disability compensation. For example, the high cluster shows an average of 12.3 percent of the veterans in those states receiving benefits compared to 7.7 percent in the low cluster. One explanation for this is the rate at which veterans submit new disability claims. For example, the rate of new claims for the high cluster was 103.2 claims per 1,000 veterans in the state, compared to only 43.5 claims per 1,000 veterans for states in the low cluster.
- **Period of Service.** Data indicates that Vietnam veterans receive, on average, \$2,328 more in annual compensation payments than veterans in the next highest period of service. The national average compensation payment by period of service is: Vietnam—\$10,930, Korean Conflict—\$8,602, World War II—\$7,798, Peacetime—\$6,979, and Gulf War—\$6,058. Our analysis shows a correlation between the percentage of compensation recipients who are Vietnam veterans and the state rankings. For example, the high cluster shows an average 39.4 percent of veterans receiving compensation are Vietnam veterans compared to 33.8 percent in the low cluster. The number and extent of service-connected disabilities for presumptive conditions are greater for Vietnam veterans, which partially explains why their average compensation payments are higher than those of veterans of other periods of service. The impact of period of service is more definitive when analyzing the mix of percentages of different periods of service. For example, states with a high percentage of Vietnam veterans and a low percentage of World War II veterans have higher average compensation payments. Our analysis shows that the high cluster averages 13 percent World War II veterans, while the low cluster averages 23 percent.
- **Branch of Service.** Analysis of branch of military service indicates that Marine Corps veterans received the highest average amount of compensation when compared to the other branches and that there was a correlation with the average amount of disability payments by each branch of service and the state ranking. However, the percentage of veterans in each branch of service did not correlate to the state rankings. Data indicates that states with higher average payments make higher payments to all branches of service, and those with lower average payments make lower payments to all branches of service.
- **Dependents.** Data indicates that, nationally, veterans with dependents receive more per year than veterans without dependents. States with higher percentages of veterans with dependents will average higher disability payments. Data shows that the percentage of veterans with dependents in the high cluster averaged 43.8 percent compared to 30.3 percent in the low cluster.

- **Special Monthly Compensation.** Data shows that the percentage of veterans receiving Special Monthly Compensation (SMC) and the average amounts of SMC per veteran impact the ranking for average annual compensation payments by state. For example, in the high cluster 9 percent of the veterans received SMC, while the percent of veterans receiving SMC in the low cluster averaged 7.2 percent.
- **Age.** Data shows that veteran age minimally influences disability compensation amounts. For example, average veteran age in the high cluster was 58 compared to the average age of 61 in the low cluster. While this suggests that younger veteran populations may result in higher payment rates, the relationship is more closely associated with period of service, which our analysis shows includes more Vietnam era recipients.
- **Average Number of Disabilities.** The more service-connected disabilities a veteran has will typically result in a higher overall combined rating and a higher benefit payment. There appears to be a correlation between the number of disabilities and the high and low clusters, with average numbers of disabilities of 3.0 and 2.4, respectively, a 25 percent difference.

The following claims processing characteristics include those factors that VA has some control over.

- **Pending Claims.** There did not seem to be a correlation between pending claims and the variance, as most states in the high and low clusters exceeded the 50-state average for pending claims. There was a small correlation between the percent of pending claims and the timeliness of claims processing, with the low cluster having a slightly higher rate of claims processed in more than 120 days. Of note was the fact that the percent of ratings completed in more than 120 days by state ranged from a low of 29.8 percent to a high of 80.6 percent in FY 2004.
- **Brokered Claims.** Claims transferred to other states for adjudication due to workload demands (brokered claims) may influence the average annual payment made by the referring state; however, since VBA does not track the payment history of brokered cases by claim folders, we could not determine if brokering affects the variance. It is noteworthy that for FY 2004, 13.3 percent, or more than 91,000 cases, were brokered to other states, with the high cluster averaging 10.7 percent and the low cluster 13.9 percent brokered claims. Brokered claims ranged from a low of no cases to a high of 88.2 percent of all cases. Illinois brokered 21.1 percent of all its cases in FY 2004.
- **Appeal Rates.** Appeal rates did not appear to influence the variance. While data shows appeal rates averaged 47.7 appeals per 1,000 veterans in the high cluster as

compared to 32.7 appeals in the low cluster, 10 out of the 12 states in both clusters were not significantly different. Appeal rates also varied significantly by state, from a low of 11 to a high of 80 per 1,000 veterans.

- **Transferred Cases.** Another factor that potentially impacts the variance is cases originally adjudicated in one state and later transferred to another state because the veteran relocated. Since VBA does not track transferred cases, we were unable to determine the impact transferred cases had on the variance.
- **Grant Rates.** Another factor that might impact the variance would be grant and denial rates for compensation claims. While VBA published grant rates for a number of years through FY 2002, it discontinued the practice because the data was determined to be incomplete and misleading. Since VBA stopped tracking grant and denial rates by VARO, we were unable to determine the impact these rates had on the variance.
- **Rater Experience.** An analysis of raters with more than 2 years experience did not appear to demonstrate a correlation to the state rankings. We found 86 percent of the raters in the high cluster averaged more than 2 years experience compared to 82 percent in the low cluster. It should be noted that Illinois raters having more than 2 years experience increased from 69.4 percent in FY 2002 to 100 percent in FY 2004. This may account for some of Illinois' rise in the state ranking from 37th in FY 2002 to 5th in FY 2005.

Our analysis of rating decisions shows that some disabilities are inherently more susceptible to variations in rating determinations. This is attributed to a combination of factors, including a disability rating schedule that is based on a 60-year-old model and some diagnostic conditions that lend themselves to more subjective decision making.

- **VA Schedule for Rating Disabilities.** The VA disability compensation program is based on a 1945 model that does not reflect modern concepts of disability. Over the past 5 decades, various commissions and studies have repeatedly reported concerns about whether the rating schedule and its governing concept of average impairment adequately reflects medical and technological advancements and changes in workplace opportunities and earning capacity for disabled veterans. Although some updates have occurred, proponents for improving the accuracy and consistency of ratings advocate that a major restructuring of the rating schedule is long overdue.
- **Ratings for the 15 Body Systems.** Some body systems result in a much wider range of ratings, demonstrating that there are some disabling conditions that are affected more by subjective decision making. For example, variability in ratings by body system ranged from a low of 5 percent in the Skin/Scars body system to a high of 26 percent in the Systemic (Infectious Diseases, Immune Disorders, and Nutritional

Deficiencies) body system. Data shows that for ratings that can be independently validated based on physical measurements (for example, amputations), the assigned degrees of disability were consistent. For example, our review of data for 276,024 veteran claims with Musculoskeletal and Auditory body systems-related disabilities, such as above-the-knee or below-the-knee amputations, tinnitus, and total deafness, found that veterans received consistent ratings nationwide. The rating schedule criteria for other body systems, such as mental disorders, were more susceptible to interpretation and judgment because much of the evidence to support a disability is self-reported by the claimant. We selected the mental disorder system for further analysis because it had the fourth highest variability rate of the 15 body systems, the highest overall nationwide rating average of 58 percent, and it included PTSD, which is one of the fastest growing disability conditions.

- **Ratings for PTSD.** During FYs 1999–2004, the number and percentage of PTSD cases increased significantly. While the total number of all veterans receiving disability compensation grew by only 12.2 percent, the number of PTSD cases grew by 79.5 percent, from 120,265 cases in FY 1999 to 215,871 cases in FY 2004. During the same period, PTSD benefits payments increased 148.8 percent from \$1.7 billion to \$4.3 billion. Compensation for all other disability categories only increased by 41.7 percent. While veterans being compensated for PTSD represented only 8.7 percent of all compensation recipients, they received 20.5 percent of all compensation payments.
- **Veterans with 100 Percent Disability Related to PTSD.** Data shows that the variance in 100 percent PTSD cases is a primary factor contributing to the variance in average annual compensation payments by state. For example, the total \$5,043 variance that exists from the low state to the high state is reduced to \$3,323 when PTSD Individual Unemployability (IU) and schedular 100 percent PTSD payments are removed from the state averages. This suggests that 34.1 percent, or \$1,720, of the \$5,043 variance is explained by these cases. The driver is not the amount of the awards but the difference in the number of veterans with 100 percent PTSD ratings in each state. States with higher average payments have higher percentages of veterans rated 100 percent or IU for PTSD. For example, New Mexico has the highest payment average of \$12,004, and 12.6 percent of its veterans are in this group. Illinois has the lowest average payment of \$6,961 and only 2.8 percent of its compensation recipients are rated 100 percent for PTSD.
- **All Veterans Rated with Individual Unemployability.** From FY 1999 to FY 2004, the number of veterans receiving increased benefits for IU increased 107 percent from 95,052 to 196,916 (includes 53,390 PTSD cases). Data also shows a direct correlation to the variance, in that the high state cluster averaged 14.3 percent veterans with IU compared to only 5.4 percent in the low cluster.

- **Percentage of 10 Percent Versus 100 Percent Ratings by State.** Our analysis shows that states vary in terms of the percentages of 10 percent versus 100 percent ratings and that there is a correlation to the variance. For example, the high cluster averages fewer 10 percent ratings and more 100 percent than the low cluster. The high cluster averages 23.5 percent for veterans with 10 percent ratings and 11.6 percent for veterans with 100 percent ratings. The low cluster averages 35.7 percent for veterans with 10 percent ratings and 7.1 percent for veterans with 100 percent ratings.
- **Lump-Sum Payments.** In 1997, as part of an overall strategy to improve claims processing timeliness, we suggested that VBA could offer lump-sum payments to veterans to reduce the number of reopened claims. Taking into consideration that 30.6 percent of all claims are rated 10 percent, combined with results from our survey where rating specialists expressed concern with insufficient staff to adequately process claims, consideration should be given to offering lump-sum payments to veterans as settlement of all future compensation cases. Lump-sum payments for all veterans with disabilities rated 20 percent or less would result in reducing 46.9 percent, or 1.17 million active claims. It would also result in reducing recurring compensation payments of \$1.96 billion a year and would free up staff to improve the quality and timeliness of future workload. Acceptance of a lump-sum payment would not change a veteran's eligibility for VA health care.

Survey of Raters

We issued a questionnaire to 1,992 rating specialists and DROs to gain their perspective on training and on the issues that affect the rating of disability claims; 1,349 (67.7 percent) responded. Results included:

- Eighty-one percent agreed that when rating a claim they start with the assumption that the veteran is applying for the highest possible rating.
- Sixty-five percent of respondents reported insufficient staff to ensure timely and quality service.
- Fifty-seven percent responded that it was difficult to meet production standards if they adequately develop claims and thoroughly review the evidence before issuing rating decisions.
- Forty-one percent of the respondents estimated that 30 percent or more of the claims were not ready to rate when presented for rating.

- Twenty percent estimated that, of the claims that were not ready to rate, more than 10 percent were actually rated without all the needed information.
- Fifty-two percent of the raters responded they could support two or more different ratings for the same medical condition.
- Survey respondents expressed generally positive opinions of the quality of their training, but indicated training has not received high priority.

Disability Examinations

Our review determined there was no apparent difference in the quality of medical examination reports completed by VA and QTC Medical Group, Inc. (QTC) physicians. However, raters surveyed believe many VA and QTC examinations are incomplete. Thirty-two percent of the survey respondents estimated that 20 percent or more of the medical examinations should have been returned because they were not sufficient for rating purposes. Only 7 percent of the survey respondents estimated that more than 20 percent of the medical examinations were actually returned to the examiners because they were insufficient for rating. Very few raters interviewed have seen or were familiar with the reports generated through use of the medical examination report templates being developed by the VA Compensation and Pension Examination Program.

PTSD Case Reviews

We reviewed 2,100 compensation cases at 7 VAROs and found VBA procedures were not always followed, and that VAROs approached stressor verification requirements differently from state to state. In 527 (25 percent) of the 2,100 cases reviewed, we found inconsistencies in the methods raters used to develop and verify veteran-reported evidence about the claimed service-related stressor event before granting compensation benefits. The error rate ranged from a low of 11 percent in Oregon to a high of 40.7 percent in Maine. The error rate for Illinois was 21.7 percent. To demonstrate the potential consequence of not obtaining or developing adequate evidence to support a PTSD claim, the 25 percent error rate equates to questionable compensation payments totaling \$860.2 million in FY 2004. Over the lifetimes of these veterans, the questionable payments would be an estimated \$19.8 billion.

Our review at three VAROs revealed that the STAR program was ineffective in detecting the evidence development weaknesses identified in our review of PTSD cases. We determined that veterans sought less treatment for PTSD when their ratings were increased to 100 percent. Of 92 PTSD cases reviewed, we found that 39 percent had a decline in mental health visits after achieving 100 percent status. The average decline in visits was 82 percent, with some veterans receiving no mental health treatment at all.

Part of the problem is that the compensation program has a built-in disincentive to get well when veterans are reapplying to get their disability ratings increased.

Legislated Pay Increases

The disproportionate pay increases by Congress for higher rating levels impact the variance of compensation payments by state. An increase in the number of IU and 100 percent schedular ratings combined with disproportionate pay increases by Congress for higher rating levels has resulted in IU ratings and 100 percent schedular ratings comprising 16.3 percent of all ratings, which make up 57.4 percent of all disability compensation payments (\$12 billion out of \$20.9 billion). This is a primary reason why states with higher percentages of IU and 100 percent ratings have higher average annual compensation payments. For example, data shows that the high cluster averaged 25.9 percent IU and schedular 100 percent ratings compared to 12.5 percent for the low cluster.

Benefits Fraud

Fraudulent and improper claims are additional factors that will unnecessarily increase the amount of disability compensation payments if left unchecked. In addition to several major individual domestic fraud cases investigated over the years, such as the \$11.2 million compensation fraud case in Atlanta, recent international benefits reviews by the OIG in the Philippines and Puerto Rico saved \$66 million in fraudulent and improper payments over a 5-year period. It should be noted that international benefits were not included in our variance analysis. VBA's FY 2004 income verification match with data from the Internal Revenue Service identified 8,486 veterans rated IU who reported earned income. If all 8,486 matches were fraudulent and invalid IU cases, the estimated cost savings for the next 5 years is over \$600 million.

Conclusion

Variances in average annual disability compensation payments by state have existed for decades. The factors that influence these payments are complex and intertwined. As outlined in this report, compensation payments by state are affected by legislated pay increases, an antiquated rating schedule, veteran demographics, and inconsistent rating decisions. Payments may be affected by claims processing practices, disability examinations, timeliness pressures, staffing levels, rater experience and training, and fraud. We concluded that some disabilities are inherently prone to subjective rating decisions, especially for conditions such as PTSD where much of the information needed to make a rating decision is not physically apparent and is more susceptible to interpretation and judgment. This subjectivity leads to inconsistency in rating decisions.

VBA acknowledges and is concerned that there are variances in claims decisions across the system. In fact, the October 2001 VA Claims Processing Task Force Report noted that the need for greater accountability and consistency in benefits delivery operations was the most significant issue facing VBA at the time. Since then, VBA has implemented several initiatives to improve consistency of decision making. While much has been accomplished, more needs to be done. The following recommendations are intended to assist VBA in their efforts to further improve consistency in rating decisions.

Recommendations

To address issues pertaining to compensation payment variances, we recommend that the Under Secretary for Benefits take the following improvement actions:

1. Conduct a scientifically sound study using statistical models, such as a multi-variant regression analysis, of the major influences on compensation payments to develop baseline data and metrics for monitoring and managing variances, and use this information to develop and implement procedures for detecting, correcting, and preventing unacceptable payment patterns.
2. Coordinate with the Veterans' Disability Benefits Commission to ensure all potential issues concerning the need to clarify and revise the Schedule for Rating Disabilities are reviewed, analyzed, and addressed.
3. Conduct reviews of rating practices for certain disabilities, such as PTSD, IU, and other 100 percent ratings, to ensure consistency and accuracy nationwide. At a minimum, these reviews should consist of data analysis, claims file reviews, and onsite evaluation of rating and management practices.
4. Expand the national quality assurance program by including evaluations of PTSD rating decisions for consistency by regional office, and to ensure sufficient evidence to support the rating is fully developed and documented, such as verifying the stressor event.
5. Coordinate with the Veterans Health Administration to improve the quality of medical examinations provided by VA and contract clinicians, and to ensure medical and rating staff are familiar with approved medical examination report templates and that the templates are consistently used.
6. In view of growing demand, the need for quality and timely claims decisions, and the ongoing training requirements, reevaluate human resources and ensure the VBA field organization is adequately staffed and equipped to meet mission requirements.

7. Consider establishing a lump-sum payment option in lieu of recurring monthly payments for veterans with disability ratings of 20 percent or less.
8. Undertake a more detailed analysis to identify differences in claims submission patterns to determine if certain veteran sub-populations, such as World War II, Korean Conflict, or veterans living in specific locales, have been underserved, and perform outreach based on the results of the analysis to ensure all veterans have equal access to VA benefits.

Comments

The Under Secretary for Benefits agreed with the review findings and recommendations and provided acceptable improvement plans. (See Appendix I for the full text of the Under Secretary for Benefits' comments.) We will follow up on the implementation of recommended improvement actions until they are completed.

(original signed by:)

MICHAEL L. STALEY
Assistant Inspector General for Auditing

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IDA

INSTITUTE FOR DEFENSE ANALYSES

**Analysis of Differences in
Disability Compensation in
the Department of Veterans Affairs**

Volume 1: Final Report

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EXECUTIVE SUMMARY

BACKGROUND

The Department of Veterans Affairs (VA) disability compensation program provides monthly payments to veterans with injuries incurred or aggravated during military service. The VA operates 57 VA Regional Offices (VAROs) to process disability compensation claims.

Veterans receive awards based on the combined degree of disability of their service-related injuries. Injuries are rated from 0% to 100% in increments of 10%. In addition, veterans unable to work due to a service-related disability may qualify for Individual Unemployability (IU), which entitles them to receive payments at 100% even though they have a lower combined degree of disability.

In December 2004, the VA requested that its Office of the Inspector General (OIG) investigate variation across states in disability compensation. The OIG concluded that the factors influencing the variation are complex and intertwined and recommended a scientifically sound study of the major factors be conducted. The VA contracted the Institute for Defense Analyses (IDA) to conduct this study. The objective was to identify the main sources of observed variation across states and VAROs in the following areas:

- Average payments to veterans receiving disability compensation; and
- Percentage of veterans receiving disability compensation.

METHODOLOGY

It would be unreasonable to expect states to have exactly the same average compensation or percentage of veterans receiving compensation. Many factors distinguish one state from another. Among these are differences in the size and composition of the veteran population. For instance, veterans in some areas may have different types of disabilities than veterans in another area. No one would be surprised if a claim for moderate hearing loss were adjudicated differently than a claim for a mental disability.

To achieve our objective, we first formed hypotheses regarding the possible causes of variation across states. We collected hypotheses through extensive discussions with VA personnel, review of the Office of the Inspector General's report, and our own evaluation of the claims process. We also used data mining software to discover relationships in the data.

After formulating our hypotheses, we collected data from VA databases and other open sources for use in statistical tests to quantify the amount of variation explained by each hypothesis in average compensation dollars or percentage of veterans receiving compensation. We first examined and quantified variation explained for each factor individually. When possible, we then combined various factors to quantify their total effect.

FINDINGS

Variation in Average Disability Compensation

Concerning our first area of study, sources of variation in average payments to veterans receiving disability compensation, we found that veterans receiving maximum awards (100% or IU rated) significantly influence variation in average awards across states. Of the two ratings, IU is the most significant single factor affecting variation in average awards across states. Although veterans rated IU or receiving 100% awards are only 17% of compensation recipients, they represent 58% of the total payments for disability compensation. We found that differences across states in the percentage of recipients receiving maximum awards explain the vast majority of the variation in average awards across states.

We tested a wide variety of demographic and claim-specific factors to identify those that influence these outcomes. Our findings are as follows:

- Together, differences across states in the mix of claims involving post-traumatic stress disorder (PTSD), power of attorney representation, and period of service (POS) account for half of the observed variation in average awards across states.
- We found significant differences across states in the percentage of recipients receiving a PTSD award. Differences across states in the percentage of recipients with PTSD account for 39.8% of the variation of average awards across states.

- County median family income, percentage of the general population with a mental disability, and population density are significant demographic factors we found to be correlated to the average awards.

Note that differences in the percentage of recipients with PTSD could be due to several factors. For instance, there could be differences across states in application rates for PTSD claims, in the grant rates at the VAROs, or in the prevalence in the state of veterans with PTSD. Thus, the observed percentage of recipients with a PTSD award may be in part due to differences in adjudication results, specifically differences in denied claims.

Variation in Percentage of Veterans Receiving Compensation

Our second area of study was sources of differences in the percentage of veterans receiving compensation. The number of veterans receiving compensation is a function of the number of veterans who have applied and the grant rate. VA does not explicitly track these data; however, we were able to create a proxy for these factors. Our findings indicate that application rates are the primary driver of the variation in the percentage of veterans receiving compensation.

Differences across states inherent to the veteran population itself can influence both application and grant rates and thus the percentage of veterans receiving compensation. We found that:

- Military retirees are over four times as likely to receive compensation as non-retirees. Differences across states in the percentage of military retirees alone accounts for over 40% of the variation in the percentage of veterans receiving compensation.
- Other factors such as POS and county veteran density were also associated with the variation in the percentage of veterans receiving compensation. However, there was not sufficient data on the veteran population or applicants to compute the combined effect of these factors.

Observations on Adjudication Process

We found that the process by which VA adjudicates claims has potential for producing persistent regional differences in rating results. We examined the process and found that rating decisions often call for subjective judgments. Most of the VA personnel we interviewed agreed that for certain claims different raters could reasonably arrive at different results.

We also examined the training provided to raters and found that training varies from VARO to VARO and over time. We identified efforts by management to promote consistency in ratings within individual offices. However, we find that there have been insufficient efforts at the national level to promote consistency across VAROs.

SUMMARY

In this study, we found that the average award in a state is almost entirely driven by the proportion of recipients who are receiving maximum awards. Specifically, differences across states in the percentage of recipients receiving IU awards are the largest single driver of the observed variation in average awards.

We determined that much and possibly most of the observed variation across states is associated with differences in the mix of compensation recipients in each state. We note that these different mixes across states may be due to differences in the mix of eligible veterans, differences in application rates, or differences in grant rates across VAROs.

We examined the process by which VA adjudicates claims and found that the process has potential for producing persistent regional differences in rating results. We offer recommendations to improve the consistency of adjudication results and to identify areas of likely inconsistencies.

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